



BOARD OF TRADE
COMPANIES ACT 1948

INVESTIGATION INTO THE AFFAIRS OF HIDE & Co. LIMITED

INTERIM AND FINAL REPORTS BY
MR. NORMAN J. SKELHORN, Q.C.
AND
SIR WILLIAM S. CARRINGTON, F.C.A.

(Inspectors appointed by the Board of Trade,
in accordance with the provisions of Section
164 of the Companies Act, 1948)



LONDON

HER MAJESTY'S STATIONERY OFFICE
THREE SHILLINGS NET

HIDE & CO. LIMITED **REPORTS**

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INTERIM REPORT

1. We were appointed on the fourth day of April 1957 in the following terms:

"On the application of not less than 200 members of Hide & Co. Limited, the Board of Trade, in pursuance of the powers conferred on them by Section 164 (1) of the Companies Act, 1948, hereby appoint Mr. Norman John Skelhorn, Queen's Counsel of 2, King's Bench-walk, Temple, London, E.C.4, and Mr. William Speight Carrington, Chartered Accountant of 4B, Frederick's Place, Old Jewry, London, E.C.2, to act as inspectors to investigate the affairs of the above-named Company and to report thereon in such manner as the Board may direct."

2. Following our appointment there was passed to us the Statement of Facts which had been lodged with the Board of Trade by a committee representing a body of shareholders in Hide & Co. Limited together with the "Observations by the Directors of Hide & Co. Limited on the Statement of Facts" which had been transmitted to the Board of Trade by the Directors.

3. Subsequent to our appointment the Chairman of the Shareholders' Committee has submitted from time to time further memoranda concerning additional matters and during the course of our investigation other matters have come to light which in our view called for investigation.

4. Our task in the first place necessitated a very prolonged and detailed inspection of an immense number of documents, records and accounts in order to extract therefrom the relevant material which had then to be assimilated by us before we could commence usefully to hear evidence from witnesses. Since then we have held a large number of sessions in which we have heard evidence from twenty-four witnesses, some of whom have had to be examined on several occasions.

5. It has so far not been practicable for us to interview Mr. L. P. Jackson, who was the Chairman of Hide & Co. Limited during the period relevant to our enquiry, owing to the fact that he is at present serving a term of imprisonment and has intimated, through his solicitors, that he is unwilling to be interviewed by us until he has had an opportunity of studying and refreshing his memory from the relevant books and papers and this, it has been found, will be impracticable while he is in prison.

6. In the circumstances, we do not feel that we are at present in a position to make a final report on the matters into which we have been enquiring. We think it right, however, to inform you at this stage that, in our view, the evidence which has thus far been available to us indicates that in the course of or subsequent to the acquisition by Hide & Co. Limited of shares or stock-units in Webbers (Oxford) Limited, A. Barton & Co. Limited and Barnett-Hutton Limited there may have been acts of a criminal nature which require further investigation by the appropriate authorities.

(Signed) N. J. SKELHORN.
W. S. CARRINGTON.

London,
7th August 1958.

FINAL REPORT

Appointment and Terms of Reference.

1. We were appointed on the fourth day of April 1957, in the following terms:

"On the application of not less than 200 members of Hide & Co. Limited, the Board of Trade, in pursuance of the powers conferred on them by Section 164 (1) of the Companies Act, 1948, hereby appoint Mr. Norman John Skelhorn, Queen's Counsel of 2, King's Bench-walk, Temple, London, E.C.4, and Mr. William Speight Carrington, Chartered Accountant of 4B, Frederick's Place, Old Jewry, London, E.C.2, to act as inspectors to investigate the affairs of the above-named Company and to report thereon in such manner as the Board may direct."

Introduction.

2. Our first interim report was made to you on 7th August 1958. Following that report criminal proceedings were taken in respect of certain matters against Mr. L. P. Jackson and pending the conclusion of those proceedings it was impracticable to examine him. We have now been able to examine Mr. L. P. Jackson; we have also examined a number of other witnesses and re-examined some of the witnesses we had heard prior to writing the aforementioned interim report.

3. We have now considered and where necessary investigated the whole of the material placed before us by the Board of Trade and by the Shareholders' Committee and its Chairman. However, in order to keep our report within practicable limits we deal herein only with those matters which, after investigation, we consider call for notice or comment.

4. In this our final report we deal with the acquisition by Hide & Co. Limited or by Great Northern & Southern Stores Ltd. (which was an associated company of Hide & Co. Limited until as a result of a major re-organisation of capital and exchange of shares in 1951 it became a subsidiary of Hide & Co. Limited) of shares in the undernoted companies:—

Clark & Lonnen Ltd.
Tilley & Aldis Limited.
Hobden Brothers Limited.
Bradley's Drapery Stores Ltd.
Della Porta's Limited.
Barnett-Hutton Limited.
Webbers (Oxford) Limited.
Alexanders (Southport) Ltd.
Hugh Parker Limited.
Secombes Limited.

5. We also deal with certain matters relating to Wright Hamer Textiles Limited and the very substantial loans made by Hide & Co. Limited to that company of which Great Northern & Southern Stores Ltd., was the promoter and in regard to which a public offer for sale of shares was made in March 1949.

6. In addition we review the oft-times changing story of Mr. L. P. Jackson's service agreements, matters relating to a service agreement of another director Mr. Joseph Dawe, and benefits in kind or other advantages alleged to have been made available at various times to certain directors.

7. The acquisition of shares in A. Barton & Co. Ltd., Grocott & Co. (Shrewsbury) Ltd., and Stuart Norris Limited have been the subject of criminal charges against Mr. L. P. Jackson. These transactions were fully investigated during the course of those proceedings, on the conclusion of which Mr. L. P. Jackson was found guilty at the Central Criminal Court in June 1959 on all the counts brought against him and he was sentenced to 30 months imprisonment. We understand that an appeal is pending against this conviction.* In these circumstances we consider no useful purpose would be served by our reviewing these transactions in this report; indeed, we think it would be inappropriate for us to do so, save insofar as it may be necessary to comment on the conduct of the other members of the Board.

Clark & Lonnen Ltd.

8. By an agreement dated 8th June 1944 between Mr. E. W. Phillips and Mrs. M. E. Phillips (vendors) and Hide & Co. Limited (purchasers), the purchasers agreed to acquire 5,627 shares of the above company for the expressed consideration of £29,250 to be satisfied as follows:—

| | £ |
|--|---------------|
| In cash | 12,750 |
| By the allotment of 110,000 shares of 1s. each in Hide & Co. Limited credited as fully paid up, at a premium of 2s. per share | 16,500 |
| | <hr/> £29,250 |

9. On the evidence and information available to us we are satisfied that the true bargain was that Mr. and Mrs. Phillips should sell their shares for £19,750 which is the sum which they in fact received.

10. In the circumstances a greater number of shares was issued by Hide & Co. Limited than was necessary to satisfy the sum which Mr. and Mrs. Phillips in fact received and the purpose of this was, in our view, to enable Mr. L. P. Jackson and or his brother Mr. Montague Jackson to acquire 110,000 shares in Hide & Co. Limited for less than their true value.

11. In achieving this object Mr. L. P. Jackson caused Hide & Co. Limited to issue shares for the shares which it acquired in Clark & Lonnen Ltd., to a greater value than was necessary to produce the consideration which the vendors required and received. In so doing, in our opinion, he was acting in breach of his duty as a director of Hide & Co. Limited to that company and its shareholders.

12. This conclusion is based upon the evidence and information given to us including the following:—

13. A separate agreement, also dated 8th June 1944, was made between Mr. and Mrs. Phillips and one B. A. Woolf, a solicitor now deceased, who acted for Hide & Co. Limited in respect of the acquisition of the shares in Clark & Lonnen Ltd. By this agreement Mr. and Mrs. Phillips agreed to sell to Mr. Woolf for £7,000 payable in cash contemporaneously with the payment under the previously mentioned agreement by Hide & Co. Limited of £12,750, the 110,000 ordinary shares in Hide & Co. Limited. Of these shares, under the terms of the agreement with Hide & Co. Limited, Mr. and Mrs. Phillips were to be allotted 65,000 at the date of the agreement and the remaining 45,000 on or before 29th June 1945.

* Since the preparation of this report this appeal has been heard. Of the convictions on nine charges against Mr. L. P. Jackson, the Court quashed three, including the conviction on the only charge relating to the acquisition of shares in Stuart Norris Ltd. The appeal in respect of the convictions on the remaining six charges was dismissed and the Court did not alter the sentence which had been imposed.

14. Mr. Woolf informed the solicitors acting for Mr. and Mrs. Phillips that in entering into the separate agreement he was not acting for Mr. L. P. Jackson but for another client whose name he did not disclose.

15. The shares were allotted to Mr. and Mrs. Phillips pursuant to resolutions passed at a Board meeting of Hide & Co. Limited as to the 65,000 on the 29th June 1944 and as to the 45,000 on the 26th June 1945.

16. The allotments were made by way of renounceable letters of allotment and were renounced by Mr. and Mrs. Phillips in favour of Lombard Street Nominees Ltd.

17. A letter dated 28th June 1945 and signed by Mr. L. P. Jackson was sent to Mr. Phillips enclosing a form of renunciation for the 45,000 shares for signature by Mr. and Mrs. Phillips and this was returned to Mr. Jackson duly signed on 29th June 1945.

18. Hide & Co. Limited's Register of Members shows that 65,000 shares were registered on the 29th June 1944 in the name of Lombard Street Nominees Ltd., and that 45,000 shares were similarly registered on the 3rd July 1945 but these shares were only entered in the books of that nominee company as to the 65,000 on 29th March 1945 and as to the remaining 45,000 on the 1st December 1945. Both lots of shares were held by the nominee company for the account of Mr. Montague Jackson.

19. In a letter dated 24th April 1945 from Messrs. B. A. Woolf & Co., to Martins Bank Limited it was stated :—

"We beg to advise you that 65,000 fully paid shares of 1s. each in Hide & Company Limited (which were transferred into the name of your Trust Company) are the property of Mr. Montague Jackson. These shares were purchased from Mr. E. W. Phillips of Salisbury and the consideration for the purchase of same was provided by Mr. Montague Jackson."

20. The transaction was apparently introduced to Hide & Co. Limited by Wm. Houghton & Sons Ltd., valuers and property agents. These agents were paid by Mr. and Mrs. Phillips a fee of £1,000 and the account rendered by Wm. Houghton & Sons Ltd., specifically refers to the consideration for the acquisition of the shares by Hide & Co. Limited as being £19,750.

21. The market price of Hide & Co. Limited's ordinary shares varied in 1944 between 5s. 4½d. and 2s. 7½d. and in 1945 between 14s. and 5s. 1½d. On the 1st July 1945 the quoted price was 11s. 6d.—12s. 6d.

22. Hide & Co. Limited's share register discloses substantial sales, totalling 144,700, of the shares registered in the name of Lombard Street Nominees Ltd., between December 1945 and December 1946. Taking the quotations at the end of each month, the middle market price of Hide & Co. Limited shares on the Stock Exchange during the year ended December 1946 varied from 13s. 1½d. to 9s. This may be compared with the value of 3s. per share at which the aforementioned 110,000 shares were taken for the purpose of the agreement between Mr. and Mrs. Phillips and Hide & Co. Limited and recorded in the books of that company in regard to the acquisition of the shares in Clark & Lonnen Ltd. As stated above, these 110,000 shares were sold by Mr. and Mrs. Phillips for £7,000 which represents a price of approximately 1s. 3d. per share.

23. In making these comparisons it has, of course, to be borne in mind that the shares in question were newly issued shares for which permission to deal had not yet been granted by the Stock Exchange at the date when Mr. Woolf agreed to acquire them from Mr. and Mrs. Phillips. Further, it is

possible that it might not have been practicable at the particular time to have disposed of the whole block of 110,000 shares without adversely affecting the price of Hide & Co. Limited's ordinary shares.

24. Notwithstanding these considerations, however, the difference between the sum of £7,000 paid by Mr. Woolf acting on behalf of Mr. Montague Jackson and/or Mr. L. P. Jackson and the real value of the 110,000 shares (entered in the books of Hide & Co. Limited at £16,500 i.e. 3s. per share) is so marked that it leaves no doubt in our opinion that Mr. Montague Jackson with the connivance of his brother Mr. L. P. Jackson and/or the latter gained a material benefit which was not only not disclosed to Hide & Co. Limited's Board or the auditors but which was actively concealed by the terms of the agreement of 8th June 1944 between Mr. and Mrs. Phillips and Hide & Co. Limited.

Tilley & Aldis Limited

25. In purported pursuance of an agreement dated 20th September 1944 the whole of the issued share capital of Tilley & Aldis Limited consisting of 11,102 ordinary shares of £1 each, fully paid, was acquired by Great Northern & Southern Stores Ltd. for a purchase price expressed in the agreement to be £29,900. By the terms of the agreement this purchase price was to be paid as to £12,500 in cash and as to the balance of £17,400 by the allotment of 116,000 1s. ordinary shares in Great Northern & Southern Stores Ltd., taken as being of the value of 3s. each, and the purchase was thus reflected in the books of Great Northern & Southern Stores Ltd.

26. From the information and documents which we have received in the course of our investigation we are satisfied that the true bargain was that the share capital of Tilley & Aldis Limited was to be acquired for a sum of £17,700 and that the abovementioned 116,000 Great Northern & Southern Stores Ltd. shares were to be transferred by the vendors after their allotment for a sum of £5,200 giving a value of something less than 1s. each. These shares were allotted and eventually registered in the name of Levy, Langner (Nominees) Ltd., which company held them on behalf of Mr. Montague Jackson. The true terms of the purchase of the share capital of Tilley & Aldis Limited were set out in a letter dated 11th August 1944 from Wm. Houghton & Sons and signed on their behalf by D. S. Edgar to Messrs. Edwin Coe & Calder Woods, the solicitors acting on behalf of the vendors. The relevant extract from this letter reads:—

“The terms of purchase are as follows:—

| | £ |
|---|---------------|
| Cash | 12,500 |
| 116,000 Great Northern & Southern Stores Ltd. 1s. shares at 3s. | 17,400 |
| | <hr/> £29,900 |

The abovementioned shares to be transferred for the sum of £5,200 making the cash due to the shareholders of Tilley & Aldis £17,700, i.e., approximately 22s. for the Preference and 40s. for the Ordinaries. It actually works out at £17,704 but the price agreed was £17,700.”

A copy of this letter was sent by Mr. Edgar to Mr. L. P. Jackson on the same day.

27. It may be noted that when the letter of 11th August 1944 referred to above was written the mid market price of the shares in Great Northern & Southern Stores Ltd. was about 4s. 9d. per share and that on the 20th September, 1944, the date of the agreement, the price was about the same.

28. In the course of the investigation a paper containing some calculations with reference to this transaction was found in the offices of Hide & Co. Limited which it would appear were made by Mr. E. J. Cracknell, then a director of Great Northern & Southern Stores Ltd., now deceased. These calculations bore indications that it was intended that the profit to be anticipated from the acquisition of the above shares in Great Northern & Southern Stores Ltd., at a substantial under-value was to be divided between Mr. Cracknell, Mr. L. P. Jackson and Mr. Montague Jackson. Since Mr. Cracknell has died and Mr. L. P. Jackson professed to have no recollection of the details of this transaction or the purpose of the calculations we have not formed a definite conclusion on this point.

29. It is, however, in our view clear that the 116,000 Great Northern & Southern Stores shares were held by the nominee company for the benefit of Mr. Montague Jackson and that they had been acquired with the connivance of Mr. L. P. Jackson at substantially less than their true value. Here again, as in the case of Clark & Lonnien Ltd., in our view a material benefit was gained by Mr. Montague Jackson and/or Mr. L. P. Jackson, and this was actively concealed by the terms of the agreement of 20th September 1944.

Hobden Brothers Limited

30. On the 5th February 1945, £4,000 of the issued share capital of £4,135 was acquired by Hide & Co. Limited, the shares being transferred to the Company by one Alan C. S. Meynell for a consideration stated to be £12,000. According to share transfers which we have seen these shares were acquired by Mr. Meynell from members of the Hobden family on the 16th January 1945 for an aggregate consideration of £9,000 and it would appear, therefore, that there was an intermediate profit made of £3,000.

31. According to the minutes of a Board meeting of Hide & Co. Limited held on the 15th January 1945, at which Messrs. L. P. Jackson, H. L. Reid, C. R. Stevens and J. Dawe are recorded as being present, a letter from Mr. A. C. S. Meynell dated 5th January 1945 was read accepting the Company's offer for the purchase of his interest in Hobden Brothers Limited of Salisbury on the following terms:

"A payment in cash of Nine Thousand Pounds and the transfer to him of 12,000 Ordinary Shares of Wright Brothers Ltd., of 2s. 6d. each at 5s. per share".

The minute records that the Board resolved unanimously that the purchase be completed by 31st January 1945.

32. The acquisition of these shares in Hobden Brothers Limited and the size of the intermediate profit, i.e., £3,000 on a £9,000 purchase, aroused the interest of the auditors; in consequence Mr. Ogden had an interview with Mr. L. P. Jackson on the 30th April 1945, of which he kept a contemporaneous note, at which he asked Mr. Jackson the reason for the magnitude of this profit and whether any of the Hide directors were interested either directly or indirectly in such profit. Mr. Jackson informed Mr. Ogden that Mr. Meynell was an entirely independent party whom he, Mr. Jackson, described as a property dealer, and further declared that none of the group directors had any interest in the transaction. He further intimated that had he any wish for remuneration for his services he would have asked the Board for it. Among further information he gave Mr. Ogden about the transaction, he stated that Mr. Meynell bought outright and then offered to Hides at £12,000.

33. As a result of the matter being raised with the Board by the auditors, a resolution by the Board of Hide & Co. Limited was passed on the 26th October 1945 in the following terms:—

“That it is hereby declared that none of the Directors had a personal interest in the transaction of the purchase of shares in Hobden Brothers Ltd.”

34. Mr. Meynell informed us that he had throughout this transaction acted as a nominee for Mr. L. P. Jackson; he, Mr. Meynell, paid no part of the consideration in respect of which the shares were transferred to him and received no part of the consideration for the sale of those shares by him to Hide & Co. Limited. His only personal connection with the transaction, other than as a nominee, was that at Mr. L. P. Jackson's request he went with him and Mr. Edgar to the offices of Hobden Brothers Ltd., at Salisbury, to look at the books and accounts and he was paid for his services and attendance a fee of £12 12s. 0d.

35. Mr. L. P. Jackson professed, when he gave evidence to us, to have no recollection of the details of this transaction save that he could remember that Hobden Brothers Ltd., had been acquired by the company. He denied that he had ever told Mr. Ogden that Mr. Meynell was a property dealer and said that it was well known to everybody, including Mr. Ogden, that Mr. Meynell was a practising accountant and a partner of Mr. E. J. Cracknell who at that time was a director of Great Northern & Southern Stores Ltd. In this connection it is to be observed that Mr. Ogden told us in relation to a further transaction dealt with hereafter that it was only when he discovered in relation to the later transaction that yet another partner of Mr. Cracknell was concerned in an acquisition involving a large intermediate profit that doubts were raised in his mind with regard to the assurances which Mr. Jackson and the Board had given him with regard to the acquisition of Hobden Brothers Ltd.

36. Having heard and seen the witnesses with regard to this matter, we have no hesitation in accepting in connection with this transaction the evidence of Mr. Meynell and of Mr. Ogden in preference to that of Mr. L. P. Jackson, and it is our view, therefore, that the intermediate profit which was made accrued to the benefit of Mr. L. P. Jackson, despite the statement in the minute of 26th October 1945 that none of the directors of Hide & Co. Limited had a personal interest in the transaction.

Bradley's Drapery Stores Ltd.

37. The controlling interest in this Company was acquired by T. R. Roberts Ltd., pursuant to an agreement dated 22nd December 1947 between Great Northern & Southern Stores Ltd., as vendor and T. R. Roberts Ltd., as purchaser. This agreement provided for the acquisition by the purchaser of 13,240 Ordinary Shares, 10,200 Preference Shares and 1,475 Employees' Participating Shares, these representing a controlling interest in the Company.

38. The earliest document which we have seen with regard to this acquisition is what purports to be a copy of an agreement dated 13th August 1945 between one Davidson as vendor and Great Northern & Southern Stores Ltd., as purchaser. This agreement, which purports to show that it was signed on behalf of Great Northern & Southern Stores Ltd., by Mr. L. P. Jackson, provided for the sale to the purchaser of 9,800 6% Preference Shares, 11,200 Ordinary Shares and 1,000 Employees' Participating Shares, i.e., in all 22,000 or whatever number were held by the vendor or his nominees at 22s. 6d. per share. The agreement provided for completion within three months from the signing thereof.

39. So far as we have been able to ascertain the above agreement was never implemented but though we have in no instance, save for the agreement between Great Northern & Southern Stores Ltd., and T. R. Roberts Ltd., seen any original agreements in respect of this acquisition, from the evidence and documents furnished to us it appears that on the 7th November 1945 an agreement was entered into by one O. R. Davidson, a director of Bradley's Drapery Stores Ltd., with one L. C. Stephens, whereby Mr. Davidson agreed that Mr. Stephens should be appointed to the Board of Bradley's Drapery Stores Ltd., and that he, Mr. Davidson, in accordance with Article 16 of the Articles of Association, would prepare a transfer notice specifying the sale of his own and his nominees' shares at 22s. 6d., and Mr. Stephens agreed to purchase the shares at this price.

40. According to an extract we have seen from a further agreement dated 20th February 1946 made between Mr. L. C. Stephens and Great Northern & Southern Stores Ltd., Mr. Stephens agreed to sell and the company agreed to purchase :—

" 11931 Ordinary £1 Shares, fully paid.

9400 Preference Shares £1 each, fully paid.

975 Employees' Participating Shares £1 each, fully paid (plus further shares to be acquired by him as below)

for £38,000.

| | | |
|---------------------|----------------|------------------------------------|
| To be settled as to | £5,500 | in cash. |
| | 32,500 | by the allotment of 130,000 shares |
| | | of 1s. each at 5s. per share. |
| | <u>£38,000</u> | |

£2,000 now paid as deposit.

Completion to take place when

(a) Articles of Association of Bradley's Ltd. permit.

(b) Great Northern & Southern Stores Ltd. may issue their shares.

(c) In any case within 18 months of the date of this agreement.

At completion Mr. Stephens will execute and deliver transfer to Great Northern & Southern Stores Ltd., and G.N.S.S. will allot 130,000 shares to him or his nominees.

Shares to be deposited by Mr. Stephens at Martins Bank Ltd., Kingsway."

41. This agreement with Mr. Stephens was not immediately implemented, the reason as subsequently given to the auditors being that Great Northern & Southern Stores Ltd., were unable to obtain the permission necessary at that date to issue shares.

42. The proposed transaction came to the notice of the auditors to whom, in a memorandum dated 12th November 1947, Mr. L. P. Jackson stated that Mr. Stephens had disclosed that the price to him for 24,915 shares in Bradley's Drapery Stores Ltd., with stamp duty, amounted to £28,320 2s. 6d., and that Mr. Stephens was prepared to sell these shares to Great Northern & Southern Stores Ltd. for the sum of £32,883 2s. 6d. Following this, the auditor, Mr. R. B. Ogden, had an interview with Mr. L. P. Jackson when the latter informed him that it was now proposed to complete the purchase of the shares on the lines set out in his memorandum.

Mr. R. B. Ogden drew attention to the fact that this showed a proposed profit of some £4,500 in favour of Mr. Stephens whom he understood to be a partner of Mr. Cracknell, and pointed out further that the original agreement for the purchase of the shares provided for the consideration to be satisfied as to part in cash and as to part by the allotment of Great Northern & Southern Stores Ltd., shares at a premium. Mr. L. P. Jackson informed him that the original agreement had failed because of the inability of Great Northern & Southern Stores Ltd. to issue the shares under Treasury regulations and stated that Mr. Stephens was not a nominee of Great Northern & Southern Stores Ltd. in the matter but had introduced the business to that company. He, Mr. Stephens, had had to complete the purchase on his own account and if Great Northern & Southern Stores Ltd., did not buy on the proposed terms Mr. Stephens would sell elsewhere. He further stated that Bradley's Drapery Stores Ltd. would not negotiate with Great Northern & Southern Stores Ltd. in the first place which was the reason for Mr. Stephens dealing with it.

43. Apparently with a view to satisfying the auditors, a letter was addressed to Mr. R. B. Ogden by Mr. L. C. Stephens dated 12th December 1947 in the following terms:

"I understand from Mr. Jackson that some question has arisen as to the proprietorship of the Shares in the above-named Company, which I have offered to the Great Northern & Southern Stores Ltd.

Mr. Davidson, the Vendor of the Shares, is socially known to me and offered these shares to me personally. I discovered on consulting the Company's Articles of Association that they could only be offered to a Director of that Company, he therefore nominated me to that position and I was duly elected.

Subsequently, I personally purchased the shares, and gave the first refusal thereof to the G.N. & S.S. Ltd., and entered into an agreement with that Company to sell them for a consideration which was considered reasonable to both parties.

As G.N. & S.S. Ltd. were not in a position immediately to implement their Contract, I demanded certain deposits on account and agreed that, pending settlement, they should receive any Dividends paid thereon and on the death of Mr. Brown, my Co-Director, I agreed to and did, in fact, nominate certain of the G.N. & S.S. Ltd. Directors to be Directors of Bradley's Drapery Stores Ltd.

The date for the completion of the sale has long passed and I intend giving formal notice that unless the transaction is completed by the 31st inst., I shall consider it null and void, and shall retain the deposits as forfeited, and shall claim payment from G.N. & S.S. Ltd. in respect of the Dividends aforementioned."

44. The Board minutes of Great Northern & Southern Stores Ltd. record that at a meeting on the 22nd December 1947 at which Messrs. L. P. Jackson, S. Jackson and E. J. Cracknell were present, the letter from Mr. Stephens of the 12th December 1947 was considered and that "in order to avoid the loss of deposits amounting to £4,837 and the refunding of dividends already received amounting to £1,927 after deduction of tax, and further to the loss to the group of the valuable freeholds the property of Bradley's Stores, it was resolved to recommend Messrs. T. R. Roberts Ltd. to relieve the company of its commitment and purchase the controlling shares of Bradley's Stores at the price the company had contracted to pay for them namely £32,883 2s. 6d."

45. Following the above resolution the necessary steps to complete the transaction were taken, concluding with the agreement first referred to above dated 22nd December 1947 between Great Northern & Southern Stores Ltd. and T. R. Roberts Ltd.

46. We have been unable to interview Mr. L. C. Stephens who died in 1950, but we have been able to interview Mr. Meynell who was at all material times Mr. Stephens' partner, as was Mr. E. J. Cracknell.

47. Mr. Meynell informed us that he knew nothing of this transaction; he pointed out that the fees which Mr. Stephens had received during the period that he was a director of Bradley's Drapery Stores Ltd. were duly brought into account by him in the partnership accounts and that had he personally derived a profit in respect of the shares held by him he, Mr. Meynell, would have expected this also to be brought into the partnership accounts, which in fact had not been done.

48. The only record in the partnership books of a holding of shares in Bradley's Drapery Stores Ltd., was one of just over 500 shares which, according to the entries in the private ledger of the partnership, had been purchased at 22s. 6d. per share and later sold at the same price.

49. Mr. Meynell stated most emphatically that Mr. Stephen's financial position throughout was such that the making of a profit of £4,500 on a transaction would have been a major event to him and one the fruits of which would have been evident in his mode of life if it had been an entirely personal profit. No such indication was ever forthcoming and the size of Mr. Stephens' estate at his death was quite inconsistent with him having had a profitable transaction of this magnitude.

50. We questioned Mr. L. P. Jackson about this matter but he affected not to be able to remember anything at all about it and stated that he had not even any recollection of Mr. L. C. Stephens.

51. The evidence in regard to this transaction and in particular as to the destination of the profit of £4,500 is so inconclusive that we are unable to express any firm view in regard to it.

Della Porta's Limited

52. This was a company of which the shares were acquired by the Hide group. Under three agreements each dated 26th January 1946 the shares were acquired from Frank Horace Liddell and Helen Stewart Liddell his wife, by Hide & Co. Limited, Great Northern & Southern Stores Ltd., and Wright Bros. Ltd. The aggregate of the considerations for the shares acquired by these companies as stated in the agreements was £115,250.

53. We were led to enquire into this transaction by reason of the fact that a sum of £6,000 was credited to Mr. L. P. Jackson's account in the books of Great Northern & Southern Stores Ltd., on the 10th June 1952 and the cost of the acquisition of the above shares in Della Porta's Limited was increased therein by a like amount, but on 30th October 1953 Messrs. Ogden, Hibberd Bull & Langton, the auditors of Hide & Co. Limited wrote to the Directors of that company setting out a number of matters, including this one, requiring settlement before the accounts to 31st January 1953 could be completed; the following is the relevant extract from that letter:—

"Payment to Mr. L. P. Jackson re Della Porta's.

The payment of £6,000 to Mr. L. P. Jackson for reimbursement of losses stated to have been incurred by him as a result of the Company's purchase of shares in Della Porta's Ltd. is also a matter which requires the consideration of the Board.

The subject was originally raised at a meeting of the Board of Hides held on 23rd October 1951 when it was agreed to reimburse Mr. Jackson for any loss sustained by him in connection with the transaction, subject to his furnishing full details to us as Auditors so that we could report on the matter to the Board. On going into the position, however, it became evident that after such a length of time (the acquisition having taken place in 1946/47) it would be extremely difficult to arrive at any reliable estimate of the amount involved, or to obtain the necessary evidence in support of it. Accordingly—as it was necessary to come to a decision before the accounts for the year could be finalised—a minute was passed recording the fact that the Company was under no legal liability in the matter. Mr. Asbury undertook however to see whether he could obtain any fresh information which might enable the Board to re-open the matter, and if so to let us know so that we could discuss it again with the Directors.

We cannot trace having received any further information from Mr. Asbury on the subject, nor is there any subsequent reference to it in the Hide minutes. At a Board meeting of Great Northern & Southern Stores Ltd., held the following June, however, the Directors of that Company sanctioned the payment to Mr. Jackson of £6,000 in respect of the transaction. We should be glad of your confirmation that this was done with the knowledge and approval of the Hide Board and also information as to the basis on which the amount of £6,000 was arrived at, and the evidence which is available to us to vouch the payment."

54. According to the minutes of a meeting of the Board of Hide & Co. Limited on the 30th October 1953 the letter from Messrs. Ogdens referred to above was considered and with reference to this matter Mr. L. P. Jackson referred to the circumstances leading up to his claim to £6,000 for reimbursement of losses which he had incurred as a result of the acquisition of the company and concluded by saying that he would repay the amount drawn, although the Board had approved the payment. A debit entry appears in Mr. Jackson's account in the books of Great Northern & Southern Stores Ltd., under date 31st January 1954 for £6,000, thus reversing the credit given on the 10th June 1952, the entry in the share acquisition account being likewise reversed as at 31st January 1953.

55. From the evidence and documents which we have received, we are satisfied that the true bargain with Mr. and Mrs. Liddell was that they should receive an aggregate amount of £100,000 for the shares, i.e. £15,250 less than the aggregate of the considerations set out in the agreements, the difference being attributable to arrangements which were made contemporaneously with the acquisition of the Della Porta shares, for shares in the purchasing companies allotted as part of the consideration for the acquisition of the shares in Della Porta's Ltd., to be taken over by third parties, namely Mr. Philip Seymour and Mr. L. P. Jackson.

56. It is possible that as a result of a fall in market prices that a loss was incurred in respect of these arrangements by Mr. L. P. Jackson. The investigations, however, which were made at the time in an endeavour to satisfy the auditors with regard to the credit to Mr. L. P. Jackson, to which we have already referred, failed to establish what, if any, loss he had sustained.

57. We have seen a letter dated 26th January 1946 addressed to Mr. Liddell from Great Northern & Southern Stores Ltd., in which in relation to the shares in Hide & Co. Limited and Wright Bros. Ltd., which Mr.

Philip Seymour had agreed to purchase, the company undertook to purchase the shares from Mr. Liddell in the event of Mr. Seymour for any reason failing so to do. On the evidence which we have obtained, however, we have been unable to satisfy ourselves as to what, if any, loss Mr. L. P. Jackson incurred and whether such loss, if any, was incurred by him in implementing the undertaking given by Great Northern & Southern Stores Ltd., or otherwise in circumstances entitling him to reimbursement. In any event, as we have already pointed out, on the point being raised by the auditors the credit to Mr. L. P. Jackson was in fact reversed.

Barnett-Hutton Limited

58. The largest transaction undertaken by Hide & Co. Limited to date was the acquisition in 1952 of the controlling interest in Barnett-Hutton Limited, a company centred upon Nottingham and owning a large number of drapery stores and the like spread over various parts of the country.

59. The initial acquisition was under an agreement dated 17th June 1952 which provided for the purchase of 900,000 Ordinary Stock Units of 2s. 0d. each whereof delivery of 500,000 was to be completed on or before 31st August 1952 and the sale of the remaining 400,000 was to be completed on the first day of February 1954. There were many variations in the descriptions in the Board minutes of Hide & Co. Limited of the arrangements between Mr. L. P. Jackson and the company in regard to this purchase, and there were suggestions in the Complaint lodged by the Shareholders' Committee that the vendor was to allow Mr. Jackson a commission of 1s. 0d. per share or £45,000 on this transaction.

60. In order that the nature of the transactions and the various claims in respect thereof may be properly understood it is necessary to record in some detail the history of events.

61. The original agreement of the 17th June 1952 was between Mr. Sidney Harold Barnett as vendor and Mr. L. P. Jackson as purchaser and provided for the acquisition of the whole of the 900,000 Ordinary Stock Units of 2s. 0d. each at a price of 10s. 0d. per unit, the sale to be completed in two parts as indicated previously.

62. On the 27th August 1952 the Board of Hide & Co. Limited received a report from Mr. L. P. Jackson that he had completed negotiations for the acquisition of a controlling interest in Barnett-Hutton Limited, and at this meeting it was eventually resolved, Mr. Jackson abstaining from voting, that the Company should enter into an agreement with him to take an assignment of the benefit of his contract with Mr. Barnett. An assignment of this contract was duly executed.

63. The minutes of this meeting record that—

“Inasmuch as Mr. Jackson in order to enter into the agreement had to incur or agree to incur certain liabilities, expenses and costs, it was resolved that the Company should pay to Mr. Jackson the sum of £45,000 to cover all liabilities, expenses, costs and other payments incurred by Mr. Jackson in entering into such agreement.”

64. At a further Board meeting held on the 6th February 1953 it is recorded that—

“With reference to the resolution passed by the Board of 27th August 1952 authorising the payment to Mr. L. P. Jackson of certain liabilities, expenses, costs and other payments incurred by him in connection with

the acquisition of shares in Barnett-Hutton Limited, IT WAS RESOLVED (Mr. Jackson concurring) that the minute should be treated as having been amended by substituting the words 'a sum' for 'the sum of £45,000'."

65. On the 23rd September 1953 the minutes of a further Board meeting record—

"Reference was made to the minutes of 27th August 1952 in relation to the Company's arrangement to pay to Mr. Jackson the sum of £45,000. It was agreed that the sum of £45,000 referred to in this minute was a payment which was to be made to Mr. Jackson of 1s. for each stock unit of and in Barnett-Hutton Ltd., which Mr. Jackson had purchased and which stock units were transferred by him at the Company's request it being the Company's wish to acquire the shares and it being recognised that Mr. Jackson could have sold the stock units elsewhere at a greater profit".

"Reference was further made to the minutes of the Company dated 6th February 1953 relating to certain liabilities, expenses, costs and other payments incurred by Mr. Jackson in connection with the acquisition of the stock units in Barnett-Hutton Ltd., and for which the Board had agreed to reimburse Mr. Jackson. Mr. Jackson said that he would waive his right to reimbursement of these liabilities, expenses and costs and that he would bear these himself out of the share profit made by him upon the sale of the stock units of Barnett-Hutton Ltd., although he desired to emphasize that he could have made a profit of some 2s. 6d. per stock unit if he had chosen to accept an offer from another source".

"IT WAS RESOLVED that the stock units of Barnett-Hutton Ltd., acquired through him be clearly recorded and it was confirmed that the purchase was made from Mr. Jackson at a price of 11s. per stock unit on 900,000 2s. stock units of and in Barnett-Hutton Ltd., the transaction being carried through by payment of 10s. per stock unit to the original transferors and 1s. per stock unit to Mr. L. P. Jackson resulting in a payment due to Mr. Jackson of £45,000. Mr. Jackson did not vote on the resolution."

66. The minutes of another Board meeting held on the 19th February 1954 record yet another variation of the recorded transaction with Mr. Jackson under the heading "Expenses re Barnett-Hutton Ltd.". These minutes record—

"Upon Mr. L. P. Jackson stating that he was prepared to abandon his claim of 1s. per stock unit on the 900,000 units in Barnett-Hutton Ltd., mentioned in the minute dated 23rd September 1953 IT WAS RESOLVED that Mr. Jackson's offer be accepted and that the position be as stated in the relevant minute dated 6th February 1953".

67. The effect of this minute would appear therefore to be that Mr. Jackson was to be paid "a sum" to cover all liabilities, expenses, costs and other payments incurred by him in entering into his original agreement.

68. The minutes of a further Board meeting on the 2nd July 1954 record that once again the basis of the payment to be made to Mr. Jackson was changed. The minutes record—

"Referring to the acquisition of the Barnett-Hutton group, the Chairman said that the 900,000 shares were purchased by him personally at 10s. per share and that he had received offers from other

store groups to buy at a price that would have shown him a personal profit of 3s. 6d. per stock unit. However, at the request of his fellow directors he agreed that Barnett-Hutton should be acquired by the group at a price of 11s. a share. This quite clearly is a capital profit and it is incorrect that it should be described as expenses and steps should now be taken to restore the original position decided by the Board."

69. Cheques for £14,000 and £23,000 dated 5th February 1954 and 10th February 1954 respectively were drawn on the account of Hide & Co. Limited in favour of Mr. L. P. Jackson. The earlier of the two was signed by Mr. L. P. Jackson and by Mr. Walsh (then Chief Accountant) and the second was signed by Mr. N. M. Jackson (a director) and Mr. C. Pickering (then Secretary); these two cheques were duly presented and paid on the 10th and 12th February 1954 respectively.

70. It is to be observed that at the dates on which these two cheques were drawn the position was governed by the minute of 23rd September 1953 under which the Board had resolved that Mr. L. P. Jackson was to be paid the sum of £45,000 in effect as his profit on the assignment of his contract. Apart from this, so far as we have been able to discover, no specific Board approval was sought or given for the payment of either of these cheques and when the matter came again before the Board on the 19th February 1954 when Mr. Jackson agreed to abandon his claim to the £45,000 as a profit on the transaction, no reference was made to the fact that these two substantial payments had already been made on the 5th and 10th February 1954 respectively. Further, we have been unable to ascertain any reason for the payments being made in the form in which they were made, i.e., by payments of these two cheques rather than by a payment of £45,000 if that was what was then due, or by one payment of £37,000 if this was intended to be a payment on account.

71. The question of these payments was brought before the shareholders at the annual general meeting of Hide & Co. Limited held on the 29th April 1955. The notice convening this meeting dated 5th April 1955, which it is to be observed was convened to approve the accounts for the year ended 31st January 1954 which were very considerably in arrear, contained inter alia the following paragraph—

"To consider and if thought fit, approve the payment to Mr. L. P. Jackson of the sum of £37,000 referred to in paragraph 6 of the Directors' Report".

72. Paragraphs 5 and 6 of the Directors' Report were as follows:

5. "Mr. L. P. Jackson originally negotiated on his own account for the acquisition of 50 per cent. of the ordinary capital of Barnett-Hutton Limited and a contract was concluded in his favour. At the request of the Board, he assigned the benefit of his contract to the Company and in consideration of this the Board resolved to pay him the sum of £45,000, out of which he agreed to defray certain expenses involved in the transaction. This enabled the Company to put forward an offer for the remaining ordinary capital, as a result of which a controlling interest in the Barnett-Hutton Group was secured. The total purchase consideration involved in this acquisition was over £850,000."

6. "The arrangement to pay Mr. Jackson £45,000 was subsequently waived by him, and accordingly no provision was made for this payment in the Balance Sheet at 31st January 1953. At the time of such waiver, however, £37,000 had been paid on account, out of which £13,828

standing to his debit at 31st January 1954 had been repaid. Since the date of the last Annual General Meeting your Board have given further consideration to this matter, and recommend that this payment of £37,000 be approved by the shareholders at the forthcoming Annual General Meeting."

73. In seeking the approval of the shareholders to these payments the Chairman, Mr. L. P. Jackson, at the annual general meeting stated, *inter alia*, according to the transcript of the shorthand note which was taken of the proceedings, after referring to the circumstances in which the acquisition of Barnett-Hutton had taken place—

"Now everybody knows that there are always expenses involved in every business development or acquisition or whatever it may be. The Hide Group have not spent one penny. I want you to remember that. It was agreed that the consideration for the assignment of my contract should be 1s. per share totalling £45,000 out of which I agreed to defray certain expenses involved in the transaction. In view of the nature of these commitments and following certain representations in this regard I agreed to waive the original arrangements, in respect of which I have already received £37,000, the bulk of which had to be paid in respect of expenses involved in the deal. It subsequently transpired that the advantage which it was anticipated would arise from the waiver would not materialise and having regard to the substantial obligations to which I was still committed and the immense benefit accruing to Hides from this acquisition your Board considered that repayment of the £37,000 would be inequitable and therefore recommend that this payment be approved by the shareholders".

74. The Chairman concluded by saying—

"If we had employed solicitors—I have no doubt we had to do that—Estate Agents if you like or Commission men, I have no doubt we should have had to pay a substantial commission certainly in excess of the expenses in which I was involved of £37,000 in doing this wonderful deal for the Hide Group."

75. It will be seen from paragraph 5 of the Directors' Report that the basis upon which it was stated that the £45,000 was to be paid to Mr. Jackson was that he agreed to "defray certain expenses involved in the transaction". It will also be observed that in seeking the shareholders' approval of the payments which had been made Mr. Jackson stated that the bulk of the £37,000 "had to be paid in respect of expenses involved in the deal". In fact, of the £37,000 as stated in paragraph 6 of the Directors' Report, £13,828 was used to discharge Mr. Jackson's personal indebtedness to the Company.

76. As to the balance, a payment was made to Wm. Houghton & Sons Ltd., of £23,000, subsequently adjusted to £22,000 by a refund of £1,000 said to have been overpaid. The receipt for this sum dated 10th February 1954 was made out to Ablivest Ltd., and purported to show that the sum was received from that Company both for negotiating the acquisition of Barnett-Hutton Ltd., and for negotiating the acquisition of A. Barton & Co. Ltd.

77. According to evidence we received from Mr. Edgar of Wm. Houghton & Sons Ltd., £15,000 only of this sum was due in respect of the acquisition of Barnett-Hutton Ltd., the balance being in respect of the acquisition of A. Barton & Co. Ltd. In this connection it is to be observed that the discharge of the alleged indebtedness to Wm. Houghton & Sons Ltd., in respect of both these acquisitions was one of the obligations which Mr. L. P.

Jackson asserted had been undertaken by a third party when seeking to satisfy the auditors' enquiry with regard to his acquisition of the 200,000 "A" Ordinary Shares of Hide & Co. Limited in the course of the acquisition of A. Barton & Co. Ltd., for which he subsequently sought and obtained the shareholders' approval. This transaction, however, formed a part of the subject matter of the criminal proceedings brought against Mr. Jackson in 1959.

78. Having considered all the documents and Board minutes produced to us and the evidence given to us by the various witnesses, we have come to the following conclusions:—

- (1) That Mr. L. P. Jackson entered into a personal contract with Mr. S. H. Barnett for the purchase of the latter's shares in Barnett-Hutton Ltd., and contemplated reselling them to Hide & Co. Limited at a profit to himself. With reference to the suggestion made in the Statement of Facts put forward by the Shareholders' Committee, we have not seen or heard any evidence to justify the conclusion that the purchase from Mr. Barnett was originally to be made by a contract with Hide & Co. Limited at a price of 11s. per share for the 900,000 shares and that the vendor was going to pay to Mr. L. P. Jackson £45,000 as a commission in connection with the transaction.
- (2) The Board of Hide & Co. Limited in our view did at all times intend that Mr. L. P. Jackson should be paid a sum of £45,000 by way of profit to him in consideration of his assignment to the Company of the contract which he had entered into with Mr. S. H. Barnett. We think that the reasons for the repeated variations in the Board minutes for the basis of this payment may have been dictated either by what were thought at the particular time to be the best interests of Mr. L. P. Jackson from the point of view of the incidence of tax, or by attempts to satisfy the requirements of the auditors that if Mr. L. P. Jackson was deriving a personal profit of £45,000, this should be disclosed to the shareholders and reflected in the accounts, or that if the payment was intended to be a reimbursement of expenses incurred by him, they should have adequate particulars of the expenses.
- (3) The Board was not informed thereof prior to or at the time of the payments to Mr. L. P. Jackson of the sums of £14,000 and £23,000 respectively.
- (4) That when he subsequently obtained the approval of the shareholders to the payment of £37,000, Mr. L. P. Jackson gave a misleading impression as to the proportion of that sum which had been required to defray expenses in respect of the acquisition of Barnett-Hutton Ltd., although he did in fact pay a sum of £15,000 in respect of this.

Webbers (Oxford) Limited

79. This Company is now a wholly owned subsidiary of Hide & Co. Limited; the issued share capital consists of 1,502 Preference Shares of £1 each and 78,463 Ordinary Shares of £1 each, all fully paid up.

80. On the evidence and information which we have obtained we are satisfied that in connection with this acquisition Mr. L. P. Jackson (1) improperly attempted as a Director of Hide & Co. Limited and without sufficient disclosure to make a personal profit of £36,260, together with an advantageous purchase of 10,000 £1 fully paid Ordinary Shares in

Webbers (Oxford) Limited, and (2) obtained temporarily £10,000 by claiming credit for the payment of a deposit of that sum when it had been paid by a subsidiary company of Hide & Co. Limited, viz., Great Northern & Southern Stores Ltd., but the evidence is insufficient to enable us to say that he did this wilfully.

81. Owing to the action, however of the auditors Messrs. Ogden, Hihherd Bull and Langton on the facts coming to their notice Mr. L. P. Jackson was constrained to rescind the agreement whereby he would have derived the profit to which we have referred and also was obliged to reverse the credit of £10,000 to which we have referred. This is an instance where, in our view, the other members of the Board failed to make adequate enquiry as to Mr. L. P. Jackson's personal interest in a transaction and as to the extent of the profit which he would be making.

82. The following is a summary of the matters upon which our conclusion is based:—

83. By a letter dated 4th February 1952 Mr. L. P. Jackson authorised Mr. D. S. Edgar of Wm. Houghton & Sons Ltd., to send a letter to Messrs. Beecroft Sons & Nicholson acting on behalf of the vendors, agreeing to purchase 78,463 fully paid ordinary shares in Webbers (Oxford) Limited at a price of £4 2s. 6d. with a proviso that certain named employees of Webbers should be entitled to retain, inter alia, 4,000 of these ordinary shares so long as they remained in the employment of that company. According to this letter there was enclosed with it a cheque for £10,000 which Mr. Edgar was authorised to hand to Messrs. Beecroft Sons & Nicholson apparently as a deposit and in part purchase of the shares in Webbers (Oxford) Limited.

84. A meeting of the Board of Hide & Co. Limited was held at Northern House, North Audley Street, London, W.1, on Monday the 4th February 1952 at which Messrs. L. P. Jackson, J. Dawe, C. S. Asbury (Directors) and Mr. B. T. Jansen (Secretary) are recorded as having been present and the minutes of this meeting read as follows:—

"Mr. L. P. Jackson informed the Board that he had managed to acquire a controlling interest in Webbers (Oxford) Ltd., and that he had acquired this for himself and had made the necessary arrangements to finance the purchase. The other Directors stated that they were very interested in acquiring this interest from him if he wished to dispose of it. Mr. Jackson said he was not anxious to sell as he had bought it as an investment for himself but he stated, however, that if the Company desired to acquire the controlling interest he would consider it and he produced for the inspection of the Board a Balance Sheet showing the position of Webbers (Oxford) Limited. After some discussion it was Resolved (Mr. Jackson abstaining from voting) that the Company would purchase from Mr. Jackson 64,463 Ordinary Shares in Webbers (Oxford) Ltd., at £4 13s. 9d. per share, Mr. Jackson having explained that at this figure he would be retaining a holding of Ordinary Shares himself. Mr. Jackson also offered that in the event of the Company desiring to sell the Shares so acquired in Webbers (Oxford) Limited during three years from the date of purchase, he, Mr. Jackson, would repurchase the said shares at a price which would secure to the Company the following profits namely:

- (1) If the Company desired to sell the Shares within one year from the date of purchase at a price of £17,000 more than that paid by the Company for the shares

- (II) If the Company desired to sell the Shares after the end of one year but within two years from the date of purchase at a price of £34,000 more than that paid by the Company for the shares
- (III) If the Company desired to sell the shares after the end of two years, but within three years from the date of purchase at a price of £51,000 more than that paid by the Company for the shares

less in each case the proportion of the profits earned by Webbers (Oxford) Limited distributed during the period in question. This offer was, of course, subject to the fixed assets of Webbers (Oxford) Limited being the same as at present and no charge mortgage or Debenture having been issued by that Company. This offer was accepted by the Board on behalf of the Company."

(signed) L. P. JACKSON,

Chairman.

85. The minutes of a meeting of 10th July, 1952, purport to disclose that the Board perused and discussed an agreement between Mr. L. P. Jackson as Vendor and the Company as Purchaser in respect of 64,463 ordinary shares of £1 each fully paid in Webbers (Oxford) Ltd., out of 78,463 such shares in issue. The agreement provided, inter alia, for a purchase price of £4 13s. 9d. per share—total £302,170 6s. 3d., and it was Resolved "that the agreement for the purchase of 64,463 fully paid Ordinary Shares of £1 each in Webbers (Oxford) Ltd., be and is hereby approved, and that the Common Seal of the Company be affixed thereto". The Directors recorded as being present at that meeting are Messrs. J. Dawe, C. R. Stevens, and H. H. Knowland and the minute further records that although unable to be present Mr. C. S. Asbury was acquainted with the details of the transaction and was in full agreement with it. Mr. L. P. Jackson is not recorded as having been present at the meeting.

86. An agreement dated 15th July 1952 was executed between Mr. L. P. Jackson as vendor and Hide & Co. Limited as purchaser whereby the company agreed to purchase 64,463 ordinary shares of £1 each fully paid in Webbers (Oxford) Limited at a price of £4 13s. 9d. per share. This agreement recited that the issued capital of Webbers (Oxford) Limited was 1,502 Preference Shares of £1 each and 78,463 Ordinary Shares of £1 each and that by a formal agreement (superseding an earlier agreement) dated 14th July 1952 the vendor had agreed to purchase "Ordinary Shares giving a controlling interest in the Company".

87. On the 19th December 1952 Messrs. Christian & Co., (Solicitors acting in this matter both for Hide & Co. Limited and for Mr. L. P. Jackson personally) wrote to Mr. L. P. Jackson explaining the amount which they were holding on his behalf in connection with this transaction and stated "so that after allowing for the fact that you paid the initial deposit of £10,000 the balance we have in hand on your behalf is £5,054 9s. 9d. being the difference between the net cost to you and the purchase from Mrs. Pebody £298,392 6s. 6d. and the sale price of the 64,463 shares to Hides which amounted to £303,446 16s. 3d." This letter also stated that the 10,000 shares retained by Mr. L. P. Jackson had been put into the name of Branch Nominees Ltd., as his nominees and with the letter was enclosed a cheque for the net balance said to be due to Mr. Jackson after deducting Messrs. Christian's charges.

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| 88. As regards the ordinary shares it would appear from the various documents and memoranda produced to us that the original contract between the Vendors and Mr. L. P. Jackson provided for a purchase price of £4 2s. 6d. per share for 74,463 shares, making a total consideration (exclusive of interest and stamp duty) of | £307,159 17 6 |
| Deducting therefrom the cost of the shares to be retained by Mr. L. P. Jackson, viz., 10,000 at £4 2s. 6d. | 41,250 0 0 |
| The cost to him of the 64,463 shares being sold to Hide & Co. Limited would therefore be | 265,909 17 6 |
| These 64,463 shares were being sold by him to Hide & Co. Limited at £4 13s. 9d. each, that is for | 302,170 6 3 |
| Thus leaving Mr. Jackson with a profit of | £36,260 8 9 |

89. Owing to a delay which had occurred in publishing the Accounts of Hide & Co. Limited for the year ended 10th February 1952 (in fact not published until 6th February 1953) the Stock Exchange made representations to the Company that it should issue with the Accounts particulars of certain acquisitions including that of shares in Webbers (Oxford) Limited and the auditors, Messrs. Ogden, Hibberd Bull & Langton accordingly were instructed to prepare a special report giving information as to these acquisitions. In the course of doing so Mr. W. E. Ogden discovered that in relation to the Webber acquisition Mr. L. P. Jackson had retained for his own benefit the block of 10,000 shares. Mr. Ogden thereupon requested a special meeting of the Board of Hide & Co. Limited to consider this amongst other matters which had come to his notice.

90. Accordingly a meeting of the Board was held on 19th January 1953 at which Mr. Ogden raised the matters in question. As respects the Webber transaction the minutes record that Mr. L. P. Jackson stated that rather than cause any embarrassment to his colleagues or to the company he would withdraw his claim (to the amounts under discussion). The minutes further record that Mr. L. P. Jackson stated that "He would, however, like to make it clear that he felt that he was entitled to a substantial reward for negotiating what everyone had agreed were three exceptionally favourable deals for the Hide group, that in regard to the profit on the Webber transaction his solicitor had assured him that it was in order for him to retain this provided that the Board of Hides were satisfied with the price they were paying for the shares"

91. The minutes of this meeting further record that it was eventually agreed that the agreement between Mr. L. P. Jackson and Hide & Co. Limited should be rescinded on the company accepting the benefit and burden of the agreement entered into by Mr. L. P. Jackson with the vendors dated 14th July 1952 and bearing all the liabilities, costs and other payments in connection therewith.

92. In the course of the audit of Hide & Co. Limited, the auditors were supplied with an extract from the completion statement in connection with the purchase by Hide & Co. Limited of the shares in Webbers (Oxford) Limited. On 29th September 1953 the auditors wrote to Messrs. Christian & Co., stating with reference to this that they could not trace where allowance was made for the deposit of £10,000 paid in February 1952. Messrs. Christian & Co., replied on the 30th September 1953 stating that—"We . . . were always informed that the £10,000 Deposit had been paid by Mr.

L. P. Jackson himself." "This information was given to us and remained the position until some months afterwards when we had several telephone conversations with you regarding this matter and the question of the outstanding shares."

93. On the 30th October 1953 in a letter from the auditors to the Directors of Hide & Co. Limited it was stated, inter alia, that the 10,000 ordinary shares which on the proposed (but since rescinded) agreement for the sale to Hide & Co. Limited of 64,463 ordinary shares in Webbers (Oxford) Limited would have been retained by Mr. L. P. Jackson, had not yet been transferred to the company and that on going into the matter they had found that on completion of the contract between the Company and Mr. Jackson the deposit of £10,000 was not deducted, Mr. Jackson having informed the Solicitors that this had been paid by him personally, when in fact it had been paid by Great Northern & Southern Stores Ltd., on behalf of Hides and was shown as a specific item in Hide's Balance Sheet at 10th February 1952.

94. The minutes of a meeting of the Board of Hide & Co. Limited held on 30th October 1953, at which the matters raised in the auditors' letter of that date were considered, record that Mr. L. P. Jackson stated that he had handed to Mr. Cracknell (erstwhile Secretary and at the date of this transaction a Director of Great Northern & Southern Stores Ltd., who died on 10th January 1955) his personal cheque for £10,000 deposit but owing to a misunderstanding that gentleman had taken no action on it and had issued a cheque drawn on Great Northern & Southern Stores Ltd., account. Further that the solicitors were under the impression that he had personally paid the deposit and had therefore paid to him the sum of £4,796 19s. 9d. which was the balance after deduction of costs.

95. These minutes further record that it was agreed that this was the only sum for which Mr. Jackson was accountable to the company and the Board accepted his offer of payment instead of the amount being debited against remuneration due.

96. According to the books of the company, however, the repayment was in fact made by a debit of an appropriate sum as at 31st January 1953 to Mr. L. P. Jackson's personal account with the company.

97. We have heard evidence from all the witnesses whom we considered relevant in respect of this transaction including Messrs. L. P. Jackson, C. S. Asbury, J. Dawe, C. R. Stevens, H. H. Knowland (Directors of Hide & Co. Limited), Mr. W. E. Ogden (auditor), Mr. R. C. S. Levy (partner in Messrs. E. B. V. Christian & Co., solicitors), Mr. J. E. O. Arnold (Chartered Accountant, who for a time acted as professional adviser to the Board of Hide & Co. Limited), Mr. C. C. Pickering (former Secretary of Hide & Co. Limited), Mr. D. S. Edgar (Director of Wm. Houghton & Sons Ltd.) and Mr. G. H. D. Walsh (Secretary of Hide & Co. Limited).

98. It will be observed that at the Board Meeting of 4th February 1952 referred to above Mr. Jackson did state that "at this figure he would be retaining a holding of Ordinary Shares himself" and that he also disclosed he had managed to acquire "a controlling interest in Webbers (Oxford) Ltd." the issued share capital of which was disclosed to the Board at least by the date of the Board meeting of 10th July 1952 (see also the recital in the agreement between Mr. L. P. Jackson and Hide & Co. Limited dated 15th July 1952 referred to above). We were, however, unable to find any evidence that Mr. L. P. Jackson disclosed to the Board or had been asked by any member thereof either the precise number of shares which he was

retaining for his own benefit or the price at which he was acquiring the shares in Webbers (Oxford) Limited which he was reselling to Hide & Co. Limited.

99. With regard to the question of the payment of the £10,000 deposit Mr. R. C. S. Levy (who produced to us a letter from Mr. L. P. Jackson expressly waiving any claim to privilege insofar as this witness was at the material time acting for him personally) confirmed in his evidence what appeared to be implied in the correspondence that originally he had been informed by Mr. Jackson that he, Mr. Jackson, had personally paid the deposit of £10,000. Mr. Levy further stated in evidence that on the question being raised by the auditors he spoke to Mr. Jackson who said that "he had taken Mr. Cracknell with him to Oxford, and he had told Mr. Cracknell to use his own cheque—Mr. Jackson's personal cheque—but apparently Mr. Cracknell had used a Great Northern cheque of which he had various ones signed by Mr. Jackson".

100. This explanation was similar to that which Mr. Arnold stated that to the best of his recollection Mr. Jackson had given to him (see also the reference above to the minute of the Board meeting of 30th October 1953).

101. According to Mr. Pickering's evidence, however, the explanation which Mr. Jackson gave to him with regard to this was that Mr. Cracknell, misinterpreting the instructions he had received from Mr. Jackson sent a Great Northern cheque as the deposit instead of obtaining a cheque from Mr. Jackson as the deposit, and in the time that had passed Mr. Jackson had overlooked the fact that he had not given a cheque to Mr. Cracknell.

102. We found the explanations given by Mr. L. P. Jackson both when giving evidence to us and as recorded in the various minutes difficult to reconcile with his letter dated 4th February 1952 to Mr. D. S. Edgar with which the cheque for the deposit was enclosed, but in the absence of any evidence from Mr. Cracknell we do not feel that the evidence is sufficiently certain to enable us to come to a definite conclusion.

Alexanders (Southport) Ltd.

103. Pursuant to an agreement dated 19th May 1953 between J. H. Alexander and two others as vendors and Hide and Co. Limited as purchasers, the latter agreed to acquire from the vendors the whole of the issued capital of Alexanders (Southport) Ltd., namely 4,000 shares of £1 each. The consideration for this purchase was fixed at £120,000 payable as to £100,000 on or before the 28th May 1953 and the balance of £20,000 on 1st September 1954, with interest at the rate of 5 per cent. per annum for the period from the date of completion to the 1st September 1954. This agreement was duly completed and as a result Alexanders (Southport) Ltd., became a wholly owned subsidiary of Hide & Co. Limited.

104. The report of the auditors of Alexanders (Southport) Ltd., Messrs. Lithgow, Nelson and Co., on the accounts of the Company for the year ended 31st January 1954 which was signed on the 1st April 1955, contained the following paragraph:—

"The Company's freehold property was sold on the 9th June 1953 for £72,000 on the basis of the purchaser granting to the Company a 99 year full-repairing lease at a rental of £4,750 per annum. The property was resold by the purchaser for £86,000, completion taking place on 21st July 1953."

and this qualification was repeated in a note (No. 13) on the Accounts of Hide and Co. Limited for the year ended 31st January 1954.

105. The facts which gave rise to this qualification in the auditors' report are that on the 21st July 1953 a conveyance was entered into between Alexanders (Southport) Ltd., the vendors, David Saphir as purchaser, and certain individuals representing as trustees The Amalgamated Society of Woodworkers. In this conveyance it was recited that the vendors contracted with the purchaser for the sale to him of property at Lord Street, Southport for £72,000 and that the purchaser had agreed to transfer the benefit of his purchase contract to the trustees for a consideration of £14,000 making, with the purchase consideration of £72,000 payable to the vendors, a total of £86,000 payable by the trustees to the purchaser. The conveyance provided for the granting by the purchaser of Alexanders (Southport) Ltd., of a lease of the property for a term of 99 years at a yearly rental of £4,750.

106. This matter and particularly the fact that property sold by Alexanders (Southport) Ltd., for £72,000 had been resold by the purchaser for £86,000 had given rise to enquiries by Messrs. Lithgow, Nelson and Co., as auditors and considerable correspondence had ensued between them and officials of Hide and Co. Limited before the aforementioned qualification had been incorporated in the auditors' report.

107. In the course of this correspondence the auditors had pointed out that the lease rental represented a return of 6·6 per cent. on the price of £72,000 received by the Company for the freehold of the property, whereas in other analogous transactions by other companies in the group the transactions had been on a 5½ per cent. basis. This, it is to be noted, would be the approximate percentage of the yearly rental of £4,750 in relation to the purchase price of £86,000 paid by the ultimate purchaser.

108. We have investigated the transactions relating to the sale of this property by Alexanders (Southport) Ltd., and its leasing back with a view to ascertaining (1) whether the sale by the Company to Mr. Saphir for £72,000 was a genuine transaction or whether Mr. Saphir was merely acting as an intermediary and if so on whose behalf; (2) whether the Directors of Hide and Co. Limited and/or the agents who acted on behalf of the Company were in any way at fault in permitting Mr. Saphir to purchase the property for £72,000 when The Amalgamated Society of Woodworkers was prepared to and did pay £86,000 for it.

109. For this purpose we obtained evidence or information from, amongst others—

Mr. Marcus I. Leaver, the senior partner in the firm of Marcus Leaver & Co., Estate Agents and Surveyors.

Mr. R. H. Purves, a partner in Messrs. Farrar, Porter & Co., Solicitors, who acted for Hide & Co. Limited and Alexanders (Southport) Ltd., in regard to the sale of the Southport property.

Mr. D. Saphir, and the solicitors who acted for him in this matter.

Messrs. Lithgow, Nelson & Co., the auditors.

Mr. C. S. Ashury, a Director of Hide & Co. Limited.

Mr. L. P. Jackson.

109. Mr. Marcus Leaver was first instructed in regard to the Lord Street property of Alexanders (Southport) Ltd., by Mr. L. P. Jackson about September 1952. Mr. Leaver informed us that his instructions were to ascertain whether he could sell the property for £72,000 subject to the purchasers granting a lease to Alexanders (Southport) Ltd., at £4,750 per annum. He said that the instructions were given to him orally but that

he would have confirmed them by letter probably addressed personally to Mr. L. P. Jackson. In this connection we have not been able to trace this letter and Mr. Leaver told us that his file dealing with the matter was either destroyed or lost some considerable time ago.

110. Mr. Leaver asserted that he was given a specific price at which to sell as distinct from being instructed to see what price he could obtain. He also informed us that he was told that the Company he assumed was Alexanders (Southport) Ltd., had a valuation of the property from a local firm of surveyors and estate agents for £73,500. He did not think that he had ever seen the original valuation but did think he had seen what purported to be a copy of it.

111. Mr. Leaver was introduced to Mr. Saphir by the latter's solicitors in or about September 1952; prior to this Mr. Leaver had never heard of Mr. Saphir. He was informed that Mr. Saphir wished to make an investment in property and he offered him this property of Alexanders (Southport) Ltd. Mr. Saphir was interested but he wished to obtain a large mortgage. Mr. Saphir confirmed this to us: indeed, he said that he could not possibly find the whole amount of £72,000 himself and was trying to raise a mortgage of about 80 per cent. or 90 per cent.

112. Mr. Leaver informed us that at or about the same time as he offered the property to Mr. Saphir he offered it also to a firm of solicitors in Manchester with whom he had done much business and some time afterwards they showed interest in the property on behalf of The Amalgamated Society of Woodworkers, this being some months after the original offer to the Manchester solicitors. The Manchester solicitors did not take up the original offer and when some months afterwards they came forward with an offer on behalf of The Amalgamated Society of Woodworkers they were informed that the property was sold. Mr. Leaver said that this was done because although no contract had been entered into with Mr. Saphir, nevertheless terms had been agreed with him. The Society then came back with a further offer of £86,000 subject to an allowance of £3,500 to cover their costs in connection with the purchase.

113. Mr. Leaver did not refer back to Hide & Co. Limited when this offer of £86,000 was made; he took the view that he had obtained the price that Mr. Jackson had asked and that he was under no obligation to inform Hides or Alexanders of this enhanced offer. Moreover, they never questioned the matter when they became aware of the further sale. Hide & Co. Limited paid him commission on the sale of £72,000 and this was the only commission he received in connection with the transaction. He said that his firm was acting as agents for Mr. Saphir on the resale and they looked to him for a commission but he resolutely refused to pay one because he thought that the £3,500 which was allowed to the ultimate purchasers included a fee for Mr. Leaver but this, in Mr. Leaver's view, was not so.

114. Mr. Saphir told us that he did not know and had never met Mr. L. P. Jackson or any Director of Hide & Co. Limited or of Alexanders (Southport) Ltd., nor had he, Mr. Saphir, had any connection with either of these companies.

115. At our request Mr. Saphir provided us with a copy of the Completion Statement rendered to him by his solicitors; he further informed us that later on an assessment to income tax was made on him by the Inland Revenue Authorities in respect of his profit on this transaction and Mr. Leaver confirmed that he had, at Mr. Saphir's request, been concerned in discussions with the Inland Revenue officials and had furnished them with such information as he could regarding Mr. Saphir's part in the transaction.

116. Mr. Purves, in addition to being as we have said the solicitor acting on behalf of Alexanders (Southport) Ltd., and Hide & Co. Limited in this transaction, was also at the material time serving in the capacity of a director on the Board of Hide & Co. Limited. He informed us that in the course of carrying out the legal work in connection with the preparation of the contract it became apparent to him that there was to be a sub sale at a price of £86,000 and that in consequence he raised the question at a Board meeting of Hide & Co. Limited as to why it was that the sale could not be made direct to the Trade Union so that Hide & Co. Limited could get the benefit of the additional £14,000. He stated that on his raising this point it was arranged that the matter should be referred back to Mr. Marcus Leaver in order that it could be ascertained who Mr. Saphir was and how it came about that he was able to resell at the enhanced price.

117. Mr. Purves stated to us that this was to be referred back to Mr. Leaver by Mr. L. P. Jackson but he, Mr. Purves, never was informed either who Mr. Saphir was or why the property could not be sold direct to the Trade Union at the price of £86,000. Mr. Leaver informed us that this question was never in fact referred to him. We have been unable to obtain any written confirmation of Mr. Purves's evidence on this specific point there being no reference to it in the minutes of the Board's meetings and no written memoranda passing on the subject between him and the company.

118. On the basis of such information as we have been able to obtain with regard to this transaction we have formed the view that there is no evidence that Mr. Saphir was acting in this transaction as an intermediary or was anything but a genuine principal in the matter.

119. If Mr. Purves is correct in his recollection that he specifically brought this matter to the notice of the Board at a time when neither Hide & Co. Limited nor Alexanders (Southport) Ltd., was bound by any contract, we feel that it would have been reasonable to have expected the Board to make further enquiries and if necessary obtain independent advice before concluding a contract for the sale of the property at what, in such circumstances, would be a disadvantageous price.

120. Moreover, it was surprising to us to find that Mr. Marcus Leaver did not inform his principals, Hide & Co. Limited, not merely before the contract was entered into, but at a time when Mr. Saphir was known to him to be unable to purchase without obtaining a very substantial mortgage, that the property could be sold to The Amalgamated Society of Woodworkers for £86,000.

Hugh Parker Limited

121. We are concerned here with the acquisition by companies in the Hide group of a controlling interest in a South African company—Hugh Parker Ltd., which carried on the business of a departmental store in Port Elizabeth. The investment from Hide's standpoint can only be described as disastrous because the final outcome of it when the shares in Hugh Parker Ltd. had been sold was a loss of over £71,000, and so far as we have been able to ascertain in no way was this counter-balanced by any trading advantages to Hide & Co. Limited or any of its subsidiaries. Having regard to the heavy loss sustained in this venture we deemed it necessary to investigate the matter in order to ascertain—

- (1) whether the original investment was made in a negligent manner by the Directors of Hide & Co. Limited and/or Great Northern & Southern Stores Ltd.,

- (2) whether any illicit profits flowed to any of the Directors of Hide & Co. Limited and/or Great Northern & Southern Stores Ltd., either on the acquisition of the shares in Hugh Parker Ltd., or on the final sale of such shares,
- (3) whether justifiable criticism can be levelled at the Directors in regard either to the sale of the shares in Hugh Parker Ltd., or the price which was obtained for them.

122. Hugh Parker Ltd. was incorporated in the Union of South Africa on the 12th December 1946 and acquired the business of Hugh Parker as a going concern with effect from the 1st July 1946. Throughout the relevant period its issued share capital consisted of 500,000 fully paid shares of 5s. each.

123. The following is a summary of the transactions in regard to the shares in Hugh Parker Ltd., as shown by the investment accounts in the books of Hide & Co. Limited and certain other companies in the group. For the purpose of this investigation it is considered unnecessary to deal with the inter-group transactions in the shares, which eventually resulted in the whole of the shares acquired being brought into Hide & Co. Limited, which company finally disposed of them at a heavy loss.

| | | £ | s. | d. |
|--|--|---------|--------|-----|
| 21.9.48. | Purchase of 200,000 shares at 5s. each | 50,000 | 0 | 0 |
| 28.4.51. | " " 100,000 " " | 25,000 | 0 | 0 |
| 11.2.52. | " " 5,100 " " 6s. 3d. each from L.P. Jackson | 1,599 | 3 | 0 |
| 10.2.52. | " " 5,000 " 4s. each | 1,000 | 0 | 0 |
| 31.1.55. | " " 52,500 " 4s. each from D.S. Edgar | 10,500 | 0 | 0 |
| | | <hr/> | | |
| | | 362,600 | 88,099 | 3 0 |
| Less: Transferred to D. S. Edgar as part consideration for option (at 5s. £15,000) | 60,000 | | | |
| | | <hr/> | | |
| | | 302,600 | | |
| June, 1955 sale of 302,600 shares at 1s. 9½d. to Transvalia Meubels Beperk | | 26,965 | 0 | 0 |
| | | <hr/> | | |
| | | 61,134 | 3 | 0 |
| Balance of consideration to D. S. Edgar for transfer of option settled by allotment of 25,714 Hide & Co. Ltd., 1s. shares at 7s. | | 9,000 | 0 | 0 |
| Expenses of visit by F. H. Liddell and D. S. Edgar to South Africa | | 835 | 19 | 0 |
| Stamp Duty, transfer fees and sundries | | 213 | 8 | 8 |
| | | <hr/> | | |
| Loss written off | | £71,183 | 10 | 8 |

124. The purchase consideration for the 302,600 Hugh Parker Ltd. shares was satisfied by Transvalia Meubels Beperk by the allotment to Hide & Co. Limited of redeemable preference shares (unquoted) in the purchasing company which also released Hide & Co. Limited from liability in respect of a guarantee for £53,000 to the bankers of Hugh Parker Ltd.

125. The results shown by the audited accounts of the company before charging tax were as follows:—

| | | | | £ | £ |
|----------------------------|--------|-----|-----|--------|--------|
| Year ended 30th June, 1947 | Profit | ... | ... | 10,706 | |
| " " " 1948 | Loss | ... | ... | | 6,492 |
| " " " 1949 | Profit | ... | ... | 9,485 | |
| " " " 1950 | " | ... | ... | 10,062 | |
| " " " 1951 | " | ... | ... | 6,271 | |
| " " " 1952 | " | ... | ... | 3,874 | |
| " " " 1953 | Loss | ... | ... | | 35,029 |

126. With regard to the circumstances in which shares in Hugh Parker Ltd., came to be acquired, the following is an extract from the minutes of a meeting of Directors of Great Northern & Southern Stores Ltd., held on 15th July 1948 at which are recorded as having been present Messrs. L. P. Jackson, S. Jackson, J. Dawe and E. J. Cracknell:—

" Mr. L. P. Jackson stated that with a view to expansion of the Company's Export Trade he had entered into a contract to buy an option held by Mr. D. S. Edgar on 300,000 ordinary shares of 5s. each fully paid in Hugh Parker Limited of Port Elizabeth, under letter dated the 14th April 1948, the purchase price was agreed as the difference between the option price and 8s. per share, the said difference to be paid by the transfer of 60,000 of the shares free of cost and the balance in cash. Mr. Edgar having visited South Africa twice for the purpose of acquiring an interest in this business at his own expense. The original option price was 6s. 8d. per share. He further stated that should the Board not approve of the transaction he did not desire them to take over the Contract, as he could readily place it elsewhere; it was, therefore, entirely at the discretion of the Board, he had disclosed his interest and his offer was made to the company at the actual cost to him of the purchase.

The Board considered the Accounts of Hugh Parker Limited and all the facts available as to the prospects and advantages to the Company of direct representation in South Africa.

It was Resolved that the transaction be approved and that Mr. Jackson be requested to assign his contract to the Company upon the terms stated."

127. Prior to the date of the above Board meeting Mr. L. P. Jackson had exercised the option assigned to him and had entered into a contract to buy the 300,000 shares and in accordance with the Resolution, on the 16th July 1948 Mr. L. P. Jackson assigned to Great Northern & Southern Stores Ltd., his contract to purchase these shares

128. Arising out of the Minutes of 15th July 1948 Mr. L. P. Jackson reported to the Board on 27th September 1948 that he had succeeded in compromising the purchase price of the option to the extent that Mr. Edgar had agreed to accept £24,000 as to £15,000 in 60,000 Hugh Parker Ltd., shares and £9,000 in Hide ordinary shares at the buying price ruling on 10th October 1948.

129. We have heard evidence or received information from, inter alios, Mr. D. S. Edgar of Wm. Houghton & Sons, Messrs. L. P. Jackson, Ashbury, Dawe, Stevens, Knowland, M. M. Jackson and S. N. Jackson, Directors of Hide & Co. Limited, Mr. Hugh Parker, and Lt.-Col. F. H. Liddell (former owner of Della Porta's Ltd., and a director of several subsidiaries in the Hide Group.).

130. Mr. D. S. Edgar, of Wm. Houghton & Sons informed us that early in 1948 while he was visiting South Africa with a half formed idea of settling there permanently, he acquired from Mr. Hugh Parker an option to purchase 300,000 5s. shares in the latter's company at par within two months and a further 60,000 shares at 6s. 8d. per share within two years. The holding of these shares was stated to carry voting control of the company; the shares were quoted on the market in South Africa at about 6s. per share and at that time he, Mr. Edgar, considered the break-up value to be greater. He had been given to understand by Mr. Parker that the latter had been buying at 6s. 9d. per share.

131. Mr. Edgar also told us that Mr. L. P. Jackson was aware of his negotiations with Mr. Parker and was greatly interested as he was envisaging the extension of his group's interest to South Africa which was then enjoying a period of great prosperity.

132. Mr. Edgar confirmed the sequence of events as recorded in the minute of Great Northern & Southern Stores Ltd., of the 15th July 1948 as set forth above, and he also confirmed the compromise reached with Mr. Jackson as stated above.

133. As will be seen from the figures which we have already given the first accounts after the acquisition of the shares in Hugh Parker Ltd., by Great Northern & Southern Stores Ltd., i.e., those for the year ended 30th June 1948, showed a loss of £6,492.

134. In the Autumn of 1948 Lt.-Col. Liddell and Mr. Edgar were sent out to South Africa to investigate the position; Col. Liddell told us that he remained out there for five weeks and found that the business was in a shocking state. He reported to the Board of Great Northern & Southern Stores Ltd., that it would cost in the order of £20,000 to put matters right and was told that it was left to his discretion. He organised a clearance of the stocks which was in a bad state and he appointed a new manager and things then began to improve. This improvement was not long lived and in 1954, owing to a progressive deterioration in trading results Mr. M. M. Jackson was sent to South Africa with a view to seeing what could be done and he reported that through poor management the store had achieved a bad reputation in South Africa. He came to the conclusion that the business had been allowed to deteriorate to a point where it was necessary to get rid of it at any price, otherwise the whole of the capital invested in it would be lost, and that in a liquidation Hides would be very lucky if they did not have to meet at the very least half of the guarantee which that Company had given to the bank in respect of the overdraft of Hugh Parker Ltd. He thought that they might well have to meet a liability of £25,000 under this heading. He eventually managed to arrange with the Transvalia Company for it to purchase the investment in Hugh Parker Ltd., at 2s. per share on terms that the purchasers would take over responsibility for the bank guarantee and the transaction was completed on this basis.

135. Adverting to the three questions set out in the opening paragraph of this section of our report—

- (1) whether the original investment was made in a negligent manner by the Directors of Hide & Co. Limited and/or Great Northern & Southern Stores Ltd.:

We have seen no evidence that would lead us to conclude that the Directors of Hide & Co. Limited proceeded negligently when acquiring the original investment of 200,000 shares in Hugh Parker Limited. In the Complaint lodged with the Board of Trade by the Shareholders' Committee

of Hide & Co. Limited criticism was levelled at the Directors for having acquired a further 100,000 shares in 1951. The answer to this is that the original option granted by Mr. Hugh Parker to Mr. Edgar was for the sale of not less than 300,000 and not more than 360,000 shares, that this option was taken over by Mr. L. P. Jackson who concluded a contract in the terms of such option. This contract was in turn taken over by Great Northern & Southern Stores Ltd., on the 16th July 1948, accordingly the company was from that time under obligation to purchase the full 300,000 shares and the purchase in 1951 of the 100,000 was in consequence of that obligation.

- (2) whether any illicit profits flowed to any of the Directors of Hide & Co. Limited and/or Great Northern & Southern Stores Ltd., either on the acquisition of the shares in Hugh Parker Ltd., or on the final sale of such shares:

There is no evidence that any illicit profits flowed to any of the Directors of Hide & Co. Limited on the original acquisition of the shares in Hugh Parker Ltd. We are, however, at a loss to understand why in December 1953 Mr. L. P. Jackson should, as he in fact did on behalf of Hide & Co. Limited contract to buy from associates of Mr. D. S. Edgar 52,500 shares in Hugh Parker Ltd., at 4s. per share. At that date the company was obviously losing money and within a matter of months Mr. M. M. Jackson was convinced that Hide & Co. Limited should get rid of its shares in Hugh Parker Ltd., at any price that could be obtained, provided Hides could be relieved of any liability under the bank guarantee given in respect of the overdraft of Hugh Parker Ltd.

While we have been unable to obtain any satisfactory explanation of this, it is quite apparent from contemporaneous correspondence which we have seen between Mr. L. P. Jackson and Mr. D. S. Edgar that at a subsequent date they were at arm's length with regard to this transaction and that it was only after Mr. Edgar had threatened legal action, following some rather acrimonious correspondence, that he was paid for the 52,500 shares. £10,000 of the sum in question was paid by Hide & Co. Limited on the 18th March 1955 and the balance of £500 on the 14th July 1955. So far as we have been able to trace, no one made any profit out of the sale of these shares other than Mr. D. S. Edgar and his associates Wm. Houghton & Sons Africa (Pty.) Ltd., Mr. S. Aronowski and Mr. R. Misheikon, all of Johannesburg.

- (3) Whether justifiable criticism can be levelled at the Directors in regard either to the sale of the shares in Hugh Parker Ltd., or the price which was obtained for them:

We have come to the conclusion that the Directors of Hide & Co. Limited were fully justified in selling the investment in Hugh Parker Ltd., and we think that every effort was made by Mr. M. M. Jackson to dispose of this investment on the best possible terms.

Secombes Limited

136. By an agreement dated 5th September 1955 between Leslie Maurice Berker (vendor) and Hide & Co. Limited (purchaser) the whole of the ordinary share capital of 400,000 shares of 5s. each of this company was acquired by Hide & Co. Limited for a price of £600,000 payable as to £500,000 in cash and as to £100,000 by the allotment to the vendor of 500,000 fully paid 1s. Ordinary Shares in Hide & Co. Limited, completion to be on the 1st November 1955.

137. On the 2nd September, 1955, i.e., three days before the date of the above-mentioned agreement Mr. L. P. Jackson wrote to Mr. Berker a letter marked "Private and Confidential" stating—

"I confirm my agreement to purchase from you 75,000 Ordinary Shares in Hide & Co. Limited of 1s. each for the sum of £20,000. These shares are to be registered in the name of Branch Nominees Ltd., for delivery to the National Provincial Bank Ltd., against payment".

138. On the 31st October 1955 the 500,000 Hide shares referred to in the agreement were allotted as to 75,000 shares to Branch Nominees Ltd., and as to 425,000 to District Bank (London) Nominees Ltd.

139. In the 16th November 1955 Mr. Berker received payment of the £20,000 referred to above in the form of two cheques each dated 15th November, one for £8,750, the other for £11,250. The former cheque for £8,750 was drawn on the account of Hide & Co. Limited.

140. On the 22nd November 1955 the 75,000 shares which had been allotted to Branch Nominees Ltd., were registered with that company and thereafter held by it on behalf of Mr. L. P. Jackson.

141. In the course of the audit of the accounts of Hide & Co. Limited for the year ended 31st January 1956 the auditors ascertained that in respect of the shares in Seccombes Ltd., the stamp duty paid had been on a consideration of £450,000 only as distinct from £600,000 being the consideration specified in the agreement. They accordingly questioned whether there had been a prior sale effected by Mr. Berker as an intermediary and direct transfers then made with a view to saving stamp duty which they considered should have been based on a consideration of £600,000.

142. Pending a definite ruling on this matter they insisted that a reserve should be made in the books of Hide & Co. Limited of £3,000 in respect of this contingency.

143. According to the minutes of a Board meeting held on the 22nd February 1956—

"The Chairman (Mr. L. P. Jackson) recalled that as part of the consideration for the purchase by the Company of the share capital of Seccombes Ltd., 75,000 shares in Hide & Co. Limited had been allotted in accordance with a Board minute dated 31st October 1955 to Mr. L. M. Berker together with an undertaking that these shares would be placed at a price of £20,000. Owing to present market conditions it had not been possible to fulfil this undertaking and Mr. Berker had agreed to accept the sum of £8,750 in full settlement of the amount due to him in connection with the transaction. It was resolved that the payment of £8,750 to Mr. L. M. Berker be and is hereby approved such payment being made in full satisfaction and settlement of all monies due to him from Hide & Co. Limited or from any officer of that company in connection with the purchase of the share capital of Seccombes Ltd., and on the understanding that Mr. L. M. Berker releases all parties concerned from the undertaking to place the 75,000 shares for him at a price of £20,000."

144. It is to be observed that there is no reference in the above minute to Mr. L. P. Jackson having informed the Board that he personally had agreed to purchase the shares in question, still less that he had already acquired the shares, nor have we been able to elicit any evidence that he did at any time inform the Board of these points.

145. Further, so far as we have been able to ascertain no reference was made at that meeting to the fact that payment had already been made of the £20,000, on the 15th November 1955 by two cheques of which one for £8,750 was drawn upon the Company's account.

146. In the course of the following year's audit, that is to say of the accounts of the year ended 31st January 1957, the auditors found that the reserve of £3,000 which had been made at their insistence against the possible contingency of a claim for stamp duty had been credited on 1st October 1956 to the account of Mr. L. P. Jackson "for services and/or expenses in connection with the transaction." This apparently having been done upon the ground that the stamp duty had not at that date been claimed. The auditors thereupon pointed out to the Board that the reserve had not been made for the purpose of a payment to Mr. Jackson and that if this payment were in the nature of remuneration to him it would need to be disclosed to the shareholders and if for expenses, these would have to be properly authorised and vouched. They also pointed out that the Directors had given a certificate the previous year that there were no further liabilities outstanding in connection with the acquisition. According to the information given to us, after considerable discussion Mr. L. P. Jackson agreed to the amount being recharged to him and it was in fact debited to his account under date 31st January 1957.

147. In view of the fact that it became apparent that Mr. L. M. Berker had made a profit in the order of £150,000 in connection with this acquisition, the auditors queried whether he was acting only as an intermediary in the matter or whether there was a genuine resale by him as a principal to Hide & Co. Limited. They enquired into the matter but came to the conclusion that they could find no reason to doubt that the two transactions, i.e., the acquisition by Mr. Berker and the resale by him to Hide & Co. Limited were genuine transactions and that there was no evidence that any of the Directors of Hide & Co. Limited had participated in Mr. Berker's profit. Save to the limited extent referred to hereafter in respect of Mr. L. P. Jackson, we have come to a similar conclusion.

148. As respects Mr. L. P. Jackson the effect of the transaction bearing in mind the payment of £8,750 made by the company to Mr. Berker in respect of the 75,000 shares was that Mr. L. P. Jackson acquired these shares at a cost to him of £11,250 or 3s. per share which was approximately 1s. per share less than the current market price. The fact that he was acquiring the shares himself was at no time disclosed either to the Board or to the auditors.

149. Further, it is apparent that but for the intervention of the auditors the sum of £3,000 credited to Mr. L. P. Jackson would have enured to his benefit.

Wright Hamer Textiles Limited

Public Offer for Sale

150. On the 29th July 1957 we were appointed by the Board of Trade in pursuance of their powers under Section 164 (1) Companies Act 1948 to investigate the affairs of Wright Hamer Textiles Ltd., and we shall deal fully with the relevant affairs of that company in our separate report.

151. However, the affairs of this company fall to be dealt with to some extent in this report in view of the close association that there has been between it and Great Northern & Southern Stores Ltd., and subsequently Hide & Co. Limited.

152. In particular we have examined the bona fides of the Offer for Sale of the shares in Wright Hamer Textiles Ltd., referred to hereafter, and the reasons why since the date of the conversion of Wright Hamer Textiles Ltd., into a public company, Hide & Co. Limited has lent to it and its associated companies (for convenience referred to as the Wright Hamer group) £175,000 over a period during which the Wright Hamer group was making consistent and substantial losses.

153. Wright Hamer Textiles Ltd., was incorporated on the 10th February 1949 as a private company and converted into a public company on the 3rd March 1949 for the purpose of acquiring the whole of the issued share capitals of Wright Hamer & Sons Ltd., and Thornbers (Bradford) Ltd.

154. Wright Hamer & Sons Ltd., had been incorporated in May 1947 following the acquisition of the business by Great Northern & Southern Stores Ltd., early in that year.

155. This business comprised the spinning and weaving of various types of woollen cloth and carried on at Clayhouse Mills, Greetland, Yorkshire.

156. Thornbers (Bradford) Ltd., was incorporated as a private company on the 20th April 1926 in the name of Whitworth, Unna, Casson & Co. Ltd., and the name was subsequently changed to the present title. On incorporation this company acquired the business originally established in 1872 of wholesale and export merchants of textiles and rayon piece goods carried on under the name of Edelstein, Moser & Co. Thornbers (Bradford) Ltd., owned, until September 1953, when the property was sold to Hide & Co. Limited, a freehold warehouse situated at Chapel Street, Bradford.

157. Wright Hamer Textiles Ltd., was promoted by Great Northern & Southern Stores Ltd., which was the vendor to Wright Hamer Textiles Ltd., of the share capitals of the two operating companies referred to above.

158. On the 10th March 1949 there was a public Offer for Sale by Ridgeford Trust Limited of 300,000 6 per cent. Cumulative Preference Shares of 10s. each in Wright Hamer Textiles Ltd., at 10s. 3d. per share and 950,000 Ordinary Shares of 1s. each at 1s. 3d. per share. Ridgeford Trust Ltd., had agreed to purchase these respective shares at par from Great Northern & Southern Stores Ltd. At this time the issued share capital of Wright Hamer Textiles Ltd., comprised the 300,000 6 per cent. Preference Shares referred to above, and 2,000,000 Ordinary Shares of 1s. each. As stated 950,000 of these Ordinary Shares had been sold to Ridgeford Trust Ltd., at par and 527,000 were later sold through brokers, realising £34,469. At a much later stage the remaining 523,000 Ordinary Shares were sold by the Hide group for £4,981.

159. Mr. L. P. Jackson informed us that the reason why Great Northern & Southern Stores Ltd., entered into this investment was to secure supplies of cloth for manufacturing purposes at a time when cloth was in very short supply.

160. The Offer for Sale quoted a report and valuation made by a company, Valuations Ltd., which included a valuation of the Mill buildings. This valuation stated that the buildings comprised "the substantially-built six-storey Main Mill, two- and three-storey subsidiary Buildings and single-storey Sheds." With respect to these buildings and two dwelling houses let on service tenancies at weekly rents, it stated "In our opinion the value as a going concern as at the 7th August 1948 of the above Freehold Buildings is the sum of £46,061."

161. By April 1954 the main Mill building thus described and valued was in danger of collapse and had to be abandoned. Following a visit to the Mill by the Factory Inspector a report had been rendered on the 31st May 1948 by the Inspector to the company stating "considerable vibration was noticeable on the second floor Weaving Room of the main Mill. It is recommended that the building should be surveyed by an architect". Following the receipt of this report, a firm of architects, Messrs. C. F. L. Horsfall & Son were instructed, and they furnished a written report upon the main Mill on the 8th March 1949, i.e., two days before the date of the Offer for Sale which was dated 10th March 1949. This report stated, inter alia, that the necessary work for the purpose of strengthening the floors of the building would involve an expenditure in respect of steel work alone of approximately £4,500, and we ascertained from witnesses that the cost of the works as a whole, including carpentry etc., would have been from £5,000 to £7,000. The report included a statement, "the first point apparent on examining the Mill is the excessive flexibility of the existing flooring. This problem, we feel sure, must have been evident to you by virtue of the fact that additional props and shores have been used to stiffen up the floors".

162. In view of this report which had been made upon the premises so shortly before the Offer for Sale, we questioned Mr. George T. Firth, a director of Valuations Ltd., who was responsible for and signed the valuation made by that company and quoted in the Offer for Sale. He, as a director of Valuations Ltd., had made earlier valuations of the machinery and the Mill buildings in November 1946 for insurance purposes, and in his valuation at that time had valued the buildings at precisely the same figure, namely £46,061. We accordingly were concerned to satisfy ourselves that prior to making the valuation for purposes of the Offer for Sale, he had made a subsequent and proper inspection of the premises. If this had been so we found it difficult to understand, in view of Messrs. Horsfall's report, how he could have failed to observe the weakened state of the premises which he described as a "substantially-built Six-storey Main Mill." Mr. Firth insisted that he had made an inspection of the premises, and that he had not when he inspected them seen the props and shores which Messrs. Horsfall & Son stated were evident upon their inspection. We shall deal more fully with this question in our separate report, but it is sufficient for the present purpose to say that we find it difficult to accept Mr. Firth's claim that he made a separate inspection of the Mill premises prior to making the report quoted in the Offer for Sale.

163. We ascertained that none of the directors of Valuations Ltd., held any technical qualification nor was any person holding such qualification employed by the company. It is, however, fair to say that Mr. George T. Firth was experienced and well-known locally as a valuer of industrial plant and machinery, although he admitted to us that neither he nor his company had on any other occasion made a valuation for the purposes of a public prospectus or an offer for sale.

164. We have seen the correspondence relating to the instructions to Valuations Ltd., to make this valuation, and in particular a letter from Mr. L. P. Jackson asking that a valuation should be made of the premises and effects as a going concern. Mr. Jackson told us that his reason for instructing Valuations Ltd., of whom he had no previous knowledge, was that he found that that company had made earlier valuations for insurance purposes and accordingly thought it appropriate they should make this

valuation. We have seen no evidence to cause us to doubt this, and so far as Hide & Co. Limited is concerned, we see no ground for criticising the employment of Valuations Ltd., on this particular occasion.

165. The directors of Wright Hamer Textiles Ltd., at the time of the Offer for Sale were Messrs. L. P. Jackson (Chairman), J. Standing and C. S. Asbury. While the evidence upon the point was to some extent conflicting, we were not satisfied that the reports either of the Factory Inspector or Messrs. Horsfall & Son as to the condition of the premises were brought to the notice of the directors, other than Mr. Standing, prior to the Offer for Sale.

Profits and Losses following Offer for Sale

166. In the Profits and Prospects Section of the letter from Mr. L. P. Jackson as Chairman of Wright Hamer Textiles Ltd., which was reproduced in the Offer for Sale, it was stated "Having regard to the current trading results and to the continuing demand for textile products, I am of the opinion that in the absence of unforeseen circumstances the combined profits of the Operating Companies for the full year ending 4th February 1950 (after allowing £2,400 in respect of the annual remuneration of the Managing Directors of the Operating Companies and £1,000 in respect of Directors' and Registrars' fees and Administration expenses of the Company as a Holding Company for a full year) should be not less than £48,000, subject only to taxation."

167. In fact the only profit earned by the Wright Hamer Textiles Ltd. group was that for the year ended 4th February 1950, which after charging £12,000 for profits tax amounted to £41,934. The next accounts were made up for the period from 5th February 1950 to the 30th September 1951, and the Consolidated Profit and Loss Account for that period showed a loss of £56,630 after charging £1,562 in respect of profits tax. A sum of £5,459 was charged for income tax and, per contra, there was a credit of £18,778 designated "Income tax repayable or over reserved", so that the net loss for the period was shown at £43,311. The Consolidated Profit and Loss Account for the year ended 30th September 1952 showed a net loss for the year of £65,481 after crediting £3,678 in respect of "Income tax repayable or over reserved". The net loss for the year ended 30th September 1953 was £74,960 after charging £6,063 in respect of profits tax and income tax and £5,739 in respect of pre-acquisition profits of subsidiaries.

168. The Consolidated Profit and Loss Account for the year ended 30th September 1954 showed a loss for the year of £42,931 which was reduced by special income tax recoveries amounting to £21,005. The loss for the year ended 30th September 1955 amounted to £18,651 and this was reduced by special income tax recoveries amounting to £11,792.

169. The loss for the year ended 30th September 1956 amounted to £34,738. By this date the aggregate debit balance on the Profit and Loss Account amounted to £248,584 against an issued share capital of £257,500 (Ordinary Shares £107,500, 6 per cent. Preference Shares £150,000); there were no reserves and no dividend had been paid on the 6 per cent. Preference Shares, which are cumulative, since the 28th February 1951.

Advances by Hide & Co. Limited and Great Northern & Southern Stores Ltd.

170. By the 30th September 1956, the companies in the Wright Hamer group owed in the aggregate £170,000 to Hide & Co. Limited in respect of

advances. This sum, which was later increased to £175,000, had been built up as follows:—

| <i>Wright Hamer & Sons Ltd.</i> | | | | | | £ |
|-------------------------------------|------------------------|-----|-----|-----|-----|----------------|
| 1951 | December 29th | ... | ... | ... | ... | 5,000 |
| 1952 | January 31st | ... | ... | ... | ... | 5,000 |
| | March 1st | ... | ... | ... | ... | 5,000 |
| | | | | | | <hr/> 15,000 |
| <i>Wright Hamer Textiles Ltd.</i> | | | | | | |
| 1953 | February 4th | ... | ... | ... | ... | 56,000 |
| | May 15th to August 6th | ... | ... | ... | ... | 18,000 (net) |
| | September 17th | ... | ... | ... | ... | 25,000 |
| | October 10th | ... | ... | ... | ... | 15,000 |
| 1954 | January | ... | ... | ... | ... | 10,000 (net) |
| | February 4th | ... | ... | ... | ... | 25,000 |
| | March 24th to May 31st | ... | ... | ... | ... | 11,000 (net) |
| 1955 | December 8th | ... | ... | ... | ... | 2,750 |
| | | | | | | <hr/> 177,750 |
| <i>Repayments</i> | | | | | | |
| | | | | | | £ |
| 1956 | January 1st | ... | ... | ... | ... | 2,750 |
| 1956 | January 30th | ... | ... | ... | ... | 5,000 |
| | | | | | | <hr/> 7,750 |
| | | | | | | <hr/> £170,000 |

The further £5,000 was advanced on the 27th June 1957, in circumstances which call for comment later in this report.

171. One of the main objects of our enquiry was to ascertain why Hide & Co. Limited had continued to advance money to the Wright Hamer group in the face of the continuing losses of that group, as detailed above, and to what extent these advances were made with the knowledge and concurrence of the directors of Hide & Co. Limited. In considering this matter it is to be noted that throughout the relevant period, Messrs. L. P. Jackson and C. S. Asbury, directors of Hide & Co. Limited, were directors of Wright Hamer Textiles Ltd. Originally Mr. L. P. Jackson was the Chairman of that company but he resigned from that office in 1950 although remaining a Director, and was succeeded as Chairman by Mr. C. S. Asbury who continued as Chairman until he and Mr. L. P. Jackson resigned from the Board of Wright Hamer Textiles on the 19th June 1957.

172. With regard to the question whether the Board were aware that the advances were being made, we have been much concerned at the absence in the Board minutes of Hide & Co. Limited or its subsidiaries of any resolution authorising any of these advances prior to their being made. In this connection it is material to note that in the Board minutes of Wright Hamer Textiles Ltd., there is a minute in respect of a meeting held on the 3rd November 1953 in which it is recorded that the subject of trading policy was raised, and that it was pointed out that the production in the Mill was at a very low ebb and profitable results could not be obtained without a very much higher production level. It was stated that £10,000 additional working capital was needed for this purpose immediately and further amounts would be required as production rose. The minute records that Mr. Jackson undertook to see that this additional capital would be made available as to £10,000 immediately and

further amounts as required. This undertaking appears to have been made good by Mr. Jackson. As noted above, in January 1954 the advance increased on balance by £10,000 but we have been unable to find in the Board minutes any resolutions authorising, prior to their being made, any of the advances resulting in this increase of the balance.

173. Mr. L. P. Jackson was insistent to us that the Board were fully aware of all the advances that were made and that the requisite authority was given. He contended that the fact that there was no reference in the minutes to any such authority was in no way conclusive since, according to him, the minutes were on a number of occasions inaccurate, and although signed by him he had done this without their being read or without his appreciating their contents. With the exception of Mr. Asbury who was, as we have pointed out, a director of both companies, none of the other directors whom we questioned would admit that he had any knowledge or had given any approval for the advances made from time to time until at the end of that particular year (or usually much later) the accounts for the year were presented to the Board.

174. With reference to this conflict in the evidence, it is right to note two minutes in the records of Hide & Co. Limited :

(1) On 26th February 1953 at a meeting at which Messrs. L. P. Jackson, J. Dawe and R. H. Purves are recorded as being present, and Mr. W. E. Ogden in attendance, the minutes record—

"Loan to Wright Hamer Textiles Ltd.

The Chairman reported that at the request of our Bankers a further loan of £56,000 had been made to Wright Hamer Textiles Ltd. to reduce their overdraft to £55,000. This payment was approved and the Group Secretary instructed to obtain a charge over the Company's assets as security."

(2) On 31st March 1955 at a meeting at which Messrs. L. P. Jackson, S. N. Jackson, C. S. Asbury, H. H. Knowland and C. R. Stevens are recorded as being present, and Messrs. G. H. D. Walsh (Chief Accountant) and W. E. Ogden (inter alios) in attendance—

"Wright Hamer Group

It was resolved

That the advances made during the year with the knowledge of the Directors be and are hereby approved as follows :

By Hide & Co. Ltd.

| | | | |
|-------------------------------|-----|----------|----------|
| to Wright Hamer Textiles Ltd. | ... | £124,000 | |
| to Wright Hamer & Sons Ltd. | ... | 15,000 | £139,000 |

By Great Northern & Southern Stores Ltd.

| | | | | |
|-------------------|-----|-----|-----|----------|
| to Thornbers Ltd. | ... | ... | ... | £2,000 " |
|-------------------|-----|-----|-----|----------|

175. The conclusion on this point at which we have arrived is that we do not think that the question of these advances was ever brought formally to the Board at any meeting prior to the advances being made, and that no formal antecedent approval was ever given, the advances in fact being made on the instructions of Mr. L. P. Jackson. We think, however, that it is probable that there were informal discussions with certain members of the Board who were, we think, more in Mr. Jackson's confidence than others and we think it probable that Messrs. Dawe, Stevens and Knowland, and possibly also S. N. Jackson were at least on some occasions informed of Mr. L. P. Jackson's intention to make a particular advance. Analogous

questions arise with regard to certain offers and undertakings which were made in respect of the indebtedness by Wright Hamer & Sons Ltd., to Hide & Co. Limited but with these we shall deal later in this report.

176. The most serious aspect of these transactions is whether the policy of continuing to make these very substantial advances to Wright Hamer Textiles Ltd., was justified. In this connection, we ascertained from Mr. M. M. Jackson that shortly after he became a director of Hide & Co. Limited he was asked in June 1953 by Mr. L. P. Jackson to visit Wright Hamer Textiles Ltd., because he thought that Mr. M. M. Jackson could use some of their production for the Barnett-Hutton Limited group. He visited the premises, and when he returned he told Mr. L. P. Jackson "that the quicker we dispose of Wright Hamer Textiles Ltd., or close it down, the better it would be for everybody." He told us that he worked out at that time that the cost of disposing of this unprofitable venture would be about £50,000 and that he told Mr. L. P. Jackson that on that basis the best thing he could do was to get rid of it because he could only see bigger losses in the future. He told us that he informed Mr. L. P. Jackson that he was going to put in a written report about the matter but the latter had told him not to bother as he was going to look after it. Mr. M. M. Jackson agreed that no written report was ever made by him nor did he ever raise the matter formally at a Board meeting, but he asserted that he had spoken of his visit and his conclusions to Mr. Asbury and to Mr. Ogden. Mr. Asbury confirmed to us that he was aware that this was Mr. M. M. Jackson's view. He suggested that the matter was brought formally before the Board, but agreed that if it had been so dealt with there should be a minute recording the fact. It is also to be noted that on the 30th June 1953 Mr. L. S. Asbury (a son of Mr. C. S. Asbury, and at the time Secretary of Wright Hamer Textiles Ltd.) wrote to Mr. M. M. Jackson stating that suppliers refused to let the company have any raw materials until they had been paid their overdue accounts and indeed Mr. C. S. Asbury told us that he considered and appreciated at that time, that from June 1953, unless the advances from Hide & Co. Limited were disregarded, Wright Hamer Textiles Limited was really being carried on when it was insolvent. He asserted that he continually raised this question with the members of the Board, both of Wright Hamer Textiles Limited and of Hide & Co. Limited. So far as Wright Hamer Textiles Limited was concerned, this amounted to saying that he raised it with Mr. L. P. Jackson and Mr. Standring or his successor. As respects Hide & Co. Limited, Mr. Asbury agreed that he had never raised the matter formally at a Board meeting, and when pressed named no other director than Mr. L. P. Jackson to whom he had spoken about the matter, but he insisted that all members of the Board of Hide & Co. Limited knew the position.

177. Mr. C. S. Asbury when asked why the advances were made when Wright Hamer Textiles Ltd., was making these very substantial losses replied—"because it was hoped right up to the end by making these advances they could keep going and turn the corner." He stated that he had hoped that one contributory factor to the losses would be obviated by the steps taken of closing the Mill at Greetland (part of the loss being due to the fact that owing to the vibration at that Mill there were serious flaws in the material that was being woven) and of transferring the manufacturing to the premises of Joseph King & Co. Ltd. (a subsidiary which had been acquired subsequent to the public flotation) where there was modern equipment.

178. Whether or not to endeavour to put Wright Hamer Textiles Ltd., on its feet by making further advances, following the substantial investment

which had been made in that company, must always have been a difficult decision and we are satisfied that the advances were made in the hope that the financial position of Wright Hamer Textiles Ltd., might improve. We feel, however, having regard to the size of the losses which were being incurred by that company, that comparatively little enquiry was made by the directors of Hide & Co. Limited as to the reasons for the continuing losses. Basically we think, and this again we shall deal with more fully in our separate report, that the losses were due to bad management and to the fact that no proper consideration was given to the policy to be followed with regard to the making of forward contracts for the purchase of wool and the sales of cloth. The impression that we have formed so far as Mr. L. P. Jackson is concerned, is that he was most reluctant to accept that a financial project, for which he had been principally responsible, had turned out to be a failure, and that this reluctance upon his part resulted in his persistence in making the advances and in his failing to take as objective a view as he should have taken of the position of Wright Hamer Textiles Ltd.

178. We find it most surprising and indeed in our view reprehensible that so important a decision as to whether, as Mr. M. M. Jackson had advised, to close down the Mill and in effect for Hide & Co. Limited to cut its losses or whether to persist in an endeavour to bolster Wright Hamer Textiles Ltd., by making still further advances was never really considered by the Hide Board as a whole, but was at the best left to informal conversations between isolated Directors.

Undertakings given to Wright Hamer Textiles Ltd., re Indebtedness

179. Mr. J. D. White who was from the 31st October 1953 appointed Secretary of Wright Hamer Textiles Ltd., and of all the companies in the Wright Hamer group, and who became a director of Wright Hamer Textiles Ltd., and of all the group companies on the 25th November 1954, told us that he was concerned at the possibility that the company might be carrying on business when insolvent, and in consequence wrote on the 20th September 1954 to Mr. L. P. Jackson, and following his letter there was a Board meeting of Wright Hamer & Sons Ltd., on the 23rd September 1954. The minute of this meeting recorded that "Mr. White reported that as there was a possibility that the company was insolvent it would be improper for the Directors to continue to trade without an undertaking from Hide & Co. Limited that trade creditors would be paid before they claimed the loan owing to them. This matter was brought up at the Meeting as a result of a letter which Mr. White had addressed to Mr. Jackson on the 20th September 1954. Mr. Jackson agreed and handed over a letter from the Hide Group as attached hereto to cover this matter." The letter attached to the minute was in the following terms :—

"Dear Mr. White,

Replying to your letter of the 20th instant, it is obvious that this Company would not be a party to any repayment in respect of the outstanding loan before the normal trade creditors had been satisfied."

180. Mr. L. P. Jackson and Mr. C. S. Asbury resigned from the Board of Wright Hamer Textiles Ltd., in June 1957 and were succeeded by Major H. E. Davis and Mr. H. S. Davis. The minutes of the meeting of the appointment of these two gentlemen record that "Mr. Asbury assured the new Board of Directors that the guarantee which Hide & Co. Limited had given whereby Hide & Co. Limited would be responsible for all trading debts of all companies in the Wright Hamer group would continue until satisfactory arrangements had been made to deal with the outstanding debt to Hide & Co. Limited."

181. As respects the assurance given by Mr. L. P. Jackson in the letter of the 21st September 1954, we have not been able to trace any record of any authority having been given for that assurance by the Board of Hide & Co. Limited, as in the case of the advances which were made, there remains the possibility that certain individual members of the Board may have been acquainted with it, although we have discovered no direct evidence that this was so.

182. As respects the assurance given by Mr. Asbury, again we have found no record of any authority being given to him by anybody to give an assurance in the terms in which, according to the minute, he in fact gave one. Having questioned Mr. Asbury closely upon this matter we doubt whether he appreciated the extent or implication of the assurance which he gave, which according to its terms went beyond a mere undertaking that Hide & Co. Limited would not seek the repayment of the loan due to it before the payment of the trade creditors, but extended to an assurance that Hide & Co. Limited would be responsible for all trading debts of all companies in the Wright Hamer group. We doubt whether Mr. Asbury intended to give an assurance in these wide terms, and we are quite satisfied that if he did he had no authority so to do.

183. In connection with the above-mentioned undertakings a further letter, of which we have seen a photostatic copy, has been brought to our notice. This was addressed to the Chairman of Wright Hamer Textiles Ltd., dated the 24th June 1957 and signed "For and on behalf of Hide & Co. Limited, L. P. Jackson, Chairman." and was in the following terms:

"Dear Sir,

I have had the opportunity of discussing the subject matter of our interview of Friday last with my Board today, and confirm that we are agreeable that the outstanding debt amounting to £170,000 shall be satisfied as follows:—

1. Wright Hamer Textiles Limited will give Hide & Co. Limited Unsecured Loan Stock for £170,000.
2. Interest will accrue at the rate of 5% (Five per cent) per annum as and from the 1st January 1960.
3. Wright Hamer Textiles Limited have the right at any time to redeem these Notes in whole or in part for cash but will undertake to redeem them not later than the 31st December 1982.
4. That at any time during the currency of this arrangement Hide & Co. Limited should have the right to convert the Unsecured Loan Stock into Ordinary Shares at Par for the whole or part of any outstanding Notes at the time.

The above arrangement is, of course, subject to the approval of the necessary forms of contract which will have to be completed between us."

184. It will be seen that this letter commences by stating that Mr. L. P. Jackson has had the opportunity on that day of discussing the matter of his interview with his Board. There was a meeting of the Board of Hide & Co. Limited on the 24th June 1957 in the course of which, according to the minutes, reference was made in an entirely different context to a comparatively unimportant matter concerning Wright Hamer Textiles Ltd., but there is no reference to the subject matter of the letter quoted above. Mr. L. P. Jackson was insistent to us that the matter was brought before the Board before he sent that letter, but we were unable to obtain any

other evidence that it was discussed by the Board and, on the contrary, Mr. Walsh, the Secretary, was adamant that it was never brought before that meeting at which he was present and for the minutes of which he was responsible. Mr. M. M. Jackson, who was also at the meeting, was similarly adamant that he knew nothing of the terms of the letter or of the proposals made therein.

184A. The accounts of Hide & Co. Limited for the year ended 31st January 1958 contained a note in the following terms:

"The loan to the Wright Hamer Textile Group was increased during the year to a total of £175,000 by the advance of a further £5,000 without the approval of the Board. In addition the Bank guarantee of £25,000 referred to in the last year's accounts is still outstanding.

The last audited Consolidated Balance Sheet of the Wright Hamer group at 30th September 1956 showed tangible assets of £121,610 as compared with liabilities of £212,728, which included the advance at that date of £170,000 by Hide & Co. Limited.

The Directors consider that it is no longer correct to show these advances as an asset since, in their opinion, the company will recover very little of the sums due. Accordingly they have appropriated the sum of £175,000 as follows, against the probable loss.

| | |
|---|------------|
| Transfer from Provision for Capital Contingencies ... | £75,000 |
| Amount provided from Profit and Loss Account ... | £100,000 |
| | <hr/> |
| | £175,000 " |

185. The circumstances in which the further advance of £5,000 was made are that in the early part of 1957 the Joseph King subsidiary of Wright Hamer Textiles Ltd., was in dire straits for cash in that it was unable to meet its suppliers' bills and they were not willing to make further deliveries without payment. In consequence Great Northern & Southern Stores Ltd., advanced £5,000 to Joseph Kings against a post-dated cheque for that amount. When payment of this cheque became due it was clear that Joseph Kings would be unable to meet it, and in order to enable them to do so they were lent this further £5,000 by Hide & Co. Limited. This advance was made by Mr. L. P. Jackson again so far as we can discover without any authority from the Board of Hide & Co. Limited.

Mr. L. P. Jackson's Service Agreements.

186. Mr. L. P. Jackson was appointed a director of Hide & Co. Limited on the 4th April 1939 and was elected Chairman of the Company on the 1st June 1939.

187. From that time forward he had a number of service agreements with the company but for the purposes of this report we do not think it necessary to deal with events in this field prior to those of December 1952.

188. On the 9th December 1952 at a Board meeting at which Messrs. L. P. Jackson, J. Dawe, C. S. Ashury, C. R. Stevens and H. H. Knowland were recorded as having been present, the Board, according to the minutes discussed the promise made to the Chairman that he should receive a special remuneration on his securing for the group the controlling interest in desirable companies and particular reference was made to the acquisition of the controlling interest of Wehbers (Oxford) Ltd., Barnett-Hutton Ltd., and A. Barton & Co. Ltd. The Board resolved, Mr. L. P. Jackson having retired from the meeting, that the Company should enter into an agreement with

Mr. L. P. Jackson whereby he should over a period of fourteen years from the commencement of the company's next financial year on the 1st February 1953 receive a commission of $1\frac{1}{2}$ per cent. on the turnover of each of these three companies. This minute was signed by each of the Directors, other than Mr. Jackson, who were recorded as having been present.

189. At a further Board meeting on the 30th December 1952 it was resolved that the draft agreement giving effect to the resolution previously referred to be approved and that the seal of the company be affixed to an agreement in that form.

190. On the 19th January 1953 a meeting of the Board was summoned at the request of Mr. Ogden (the auditor) to discuss a number of matters including this service agreement. Mr. Ogden informed the Board that a position of gravity had arisen in connection with the issue of a special report on the recent acquisitions which was being issued at the request of the Stock Exchange and which his firm had prepared in accordance with that request. This report was being circulated to shareholders with the annual accounts to February 1952 which were considerably in arrear and it was only when the accounts and report were on the point of being issued that he discovered that the company had recently entered into a service agreement with Mr. L. P. Jackson whereby as from 1st February following he would be entitled to receive a commission of $1\frac{1}{2}$ per cent. on the total sales of the three businesses referred to above.

191. Mr. Ogden stressed that this was a matter which required disclosure to the shareholders as it would fundamentally affect the whole basis of the figures shown in the report and the estimate of future earnings contained in the Chairman's review.

192. Mr. Ogden further informed the Board that the real seriousness of the position lay not, however, in the fact that Mr. Jackson would be receiving benefits in connection with the acquisitions but that such vital information should not have been communicated to the company's auditors, with the result that the statement referred to above was on the point of being issued and that this would have been grossly misleading and have placed the Board in an extremely invidious and dangerous position.

193. According to the record contained in the minutes the Chairman intervened to say that in fairness to the other members of the Board he must accept responsibility for any misunderstanding or lack of co-ordination that had occurred. He further stated that he could only express his regret, and his willingness to agree to any steps that the Board might consider advisable to prevent a similar occurrence in future.

194. It is further recorded in the minutes that Mr. L. P. Jackson said that rather than cause any embarrassment to his colleagues or to the Company he would withdraw any claim to the commission. After considerable discussion it was eventually agreed that a service agreement should be drawn up whereby as from the 1st February 1953 Mr. Jackson should receive a salary of £10,000 per annum with a commission at the rate of 10 per cent. on the group profits in excess of £270,000.

195. Accordingly an agreement was entered into dated 17th February 1953 to give effect to this resolution and under this agreement Mr. L. P. Jackson was designated the Group Controller and he became entitled to receive a salary at the rate of £10,000 per annum and a commission of 10 per cent on the amount by which the net profits of the group, as defined in the agreement, for each financial year ending after the 31st January 1953, should exceed a sum of standard profit at the rate per annum of £270,000.

and all other agreements or arrangements subsisting between him and the company and any other company comprised in the group under which he was entitled to remuneration were to be deemed cancelled as on the 1st February 1953.

196. On the 31st July 1956 Mr. Joseph Dawe addressed a letter to the Secretary of Hide & Co. Limited in the following terms:

"Mr. Asbury, Mr. Stevens and myself are very concerned with the figure appearing in the Balance Sheet in respect to emoluments, mainly connected with the great commission payable to the Chairman under his agreement. In view of the continuous expansion of the Company by the acquisition of established businesses, this commission amounting to 10 per cent. in excess of profits of £270,000 can reach astronomical figures and can easily result in unfair criticism by Shareholders when they see the amounts which have to be paid under the agreement.

We feel that it would be in the interests of the Company if the Chairman was asked to relinquish and agree to cancel the actual commission to which he is entitled at present, even if it meant compensating him by a capital payment. In fact, we feel so strongly on this matter that we insist that same be dealt with as quickly as possible in the near future, as in our opinion the remaining members of the Board who do not participate in the commission referred to can receive general criticism because there is no specific reference anywhere in the Accounts as to who, in fact, are the recipients and it would be better if this position could be dealt with by cancellation as suggested aforesaid."

197. According to the minutes, a Board meeting was held on the 25th September 1956 at which the Secretary read out the above-mentioned letter and after discussion—

"IT WAS RESOLVED that Mr. L. P. Jackson be asked to surrender his rights under his existing service agreement and that Messrs. Eric Phillips & Co., be instructed forthwith to advise the Board on the amount of compensation which should be offered to him."

Mr. L. P. Jackson is recorded as having abstained from voting on this resolution.

198. In accordance with the resolution Messrs. Eric Phillips & Co., were instructed on the same date to advise the Board as soon as possible on the amount of compensation which should be paid to Mr. Jackson in consideration of surrender by him of the agreement.

199. On the 1st January 1957 before any report had yet been received from Messrs. Phillips & Co., at a further Board meeting the Chairman, Mr. L. P. Jackson, is recorded as having stated that he desired the tenure of his existing service agreement to be extended so as to provide for a period of service of fourteen years instead of the present remaining term of about six years and the minutes record that it was resolved that the term of service agreement between Mr. L. P. Jackson and the company be extended so as to give a period of fourteen years instead of the present term of about six years, Mr. L. P. Jackson abstaining from voting. It is to be observed that although a representative of Messrs. Eric Phillips & Co., is recorded as having been present at this meeting there is no record of anyone referring to the previous decision of the Board or to the fact that no report had yet been received from Messrs. Phillips & Co., and so far as the evidence given to us by the various directors referred to this matter none remembered anyone at the meeting referring to these matters.

200. On the 11th February 1957 a further Board meeting was held at which, according to the minutes, the Chairman, Mr. L. P. Jackson, referred to the above-mentioned meeting held on the 1st January when it was agreed that his service agreement with the company should be extended so as to give an unexpired term of fourteen years instead of the current term of approximately six years, and the Board proceeded to consider as an alternative the effect of the surrender of whole or part of the existing agreement in consideration of a payment of a capital sum by way of compensation.

201. The minutes record that it was agreed that consideration of the matter should be deferred until the Chairman had obtained further information from the company's financial advisers (these were Messrs. Eric Phillips & Co.).

202. On the 26th February 1957 Messrs. Eric Phillips & Co., wrote to the company giving their advice as to the amount of compensation which it would be right to pay Mr. L. P. Jackson in consideration of his surrendering his rights under the existing service agreement. They advised that an amount of £20,000 might not be an unreasonable one for the company to offer Mr. Jackson in this respect. So far as we have been able to ascertain, this letter although addressed to the Group Secretary of the Company at Hide & Co.'s offices was never brought before or considered by the Board.

203. On the 17th April 1957, however (by which date it will be observed we had been appointed as Inspectors) a new agreement between the company and Mr. L. P. Jackson as Group Controller for a period of fourteen years from the 1st February 1957 was executed and according to the minutes, at a meeting of the Board on the 6th May 1957 the Board approved this agreement.

204. It will be seen that the resolutions of the Board at these various meetings constituted a complete reversal of the Board's recorded decisions at the earlier meetings. It would, we think, seem probable that the motive for the suggestion in Mr. Dawe's letter of the 31st July 1956 and the Board's resolution in respect of it, was to enable Mr. L. P. Jackson to derive a financial benefit without the incidence of tax. If advice was obtained it would probably have been ascertained that the incidence of tax could not have been avoided in this way if Mr. Jackson were to continue in office. This consideration may have dictated the course subsequently taken.

205. The foregoing reference to a possible motive is surmise on our part since we were unable to obtain any reliable or satisfactory evidence with regard to this. The recollections of the directors each of whom we questioned on this matter appeared to be uncertain and in some respects contradictory. In this connection, as in relation to other matters referred to later, the impression we gained from their evidence was that in financial matters the other members of the Board did not really exercise any judgment of their own but were content tamely to acquiesce in any proposals brought forward or inspired by Mr. L. P. Jackson.

Mr. Joseph Dawe's Service Agreement

206. Mr. Joseph Dawe was first appointed Managing Director of Hide & Co. Limited by an agreement dated 21st July 1939. There were subsequent supplemental agreements made but for the purpose of our report it is unnecessary to refer to those prior to a supplemental agreement made on the 12th October 1949 whereby it was agreed that Mr. Dawe's remuneration as from 1st February 1949 should be at the rate of £3,000 per annum and his period of service was extended to the 7th July 1954. Provision was made under this agreement for the cessation of payment to him of any commission and for a payment of £3,000 compensation for loss of office should this occur in certain specified circumstances.

207. At a meeting of the Board on the 9th January 1953 at which the minutes record Messrs. L. P. Jackson, J. Dawe, C. R. Stevens and H. H. Knowland as being present, it was, as recorded in the minutes:

"RESOLVED that the term of service of the Managing Director, Mr. Joseph Dawe, be extended for seven years from 7th July 1954 on the same terms and conditions as at present"

and authority was given for the execution of an agreement giving effect to this resolution. Mr. J. Dawe is recorded as having not voted on the resolution. On the 10th January 1953 a supplemental agreement carrying out the terms of this resolution was executed, being signed on behalf of the company by Mr. C. R. Stevens and Mr. Frank Phillips, the then secretary. This agreement contained a recital stating:

"Whereas at a meeting of the Board of Directors of the Company held on the ninth day of January One thousand nine hundred and fifty-three it was resolved that the term of Mr. Dawe's service with the company should be extended for a period of seven years from the seventh day of July One thousand nine hundred and fifty-four on the same terms and conditions as are contained in the principal agreements."

208. In the course of our investigation Mr. Walsh, Secretary of Hide & Co. Limited produced to us a document purporting to be a copy of the minutes of a meeting of the Board of Hide & Co. Limited held on the 31st July 1953. These minutes had never been entered in the Minute Book. According to these minutes the Chairman, Mr. L. P. Jackson, drew attention to the above-mentioned minute of the Board meeting on the 9th January 1953 and stated that he had personally no knowledge of that meeting and was not in attendance at it and had not given his approval to the extension of Mr. Dawe's service agreement beyond 7th July 1954.

209. The purported minute of the 31st July 1953 also records that Mr. Phillips stated that a formal meeting was not held attended by those shown in the minute of the 9th January 1953 as being present and that he was instructed by Mr. Dawe to make the entry in the Minute Book and to affix the seal to the agreement as Mr. L. P. Jackson had already approved the terms of the document. When he gave evidence before us this version of the events was confirmed by Mr. Phillips, who also confirmed that the purported minute of the 31st July 1953 correctly recorded what had taken place.

210. Mr. Phillips not only confirmed in evidence before us that no meeting as set out in the minutes had taken place but he informed us that at that time this procedure was not infrequently resorted to, the practice being to record in the minute book as being present any directors who happened to be in the building although no meeting either formal or informal might have taken place.

211. Following the meeting of 31st July 1953 referred to above, Mr. R. H. Purves who was then a director of Hide & Co. Limited was requested by Mr. L. P. Jackson to investigate the matter and did so. Mr. Purves told us that Mr. L. P. Jackson had categorically informed him that the agreement had not been extended and that he, Mr. L. P. Jackson, knew nothing about it at all. He, Mr. Purves, had interviewed Mr. Dawe who had told him that Mr. L. P. Jackson had agreed to his service agreement being extended and that the agreement had, in fact, been prepared at Mr. Jackson's request. The occasion upon which Mr. L. P. Jackson had so agreed was, according to Mr. Dawe, an occasion when he had referred to Mr. Jackson's own service agreement and had pointed out that he, Mr. Jackson, had done very

well for himself and had asked what he, Mr. Dawe, was to get out of it. Mr. Dawe had then produced to Mr. Purves letters to show that Mr. Jackson had agreed to share equally with him the commission which was payable under his (Mr. Jackson's) agreement and had also promised that an agreement should be executed for Mr. Dawe. In the course of his evidence Mr. Purves stated that Mr. Dawe admitted to him that despite what was stated in the minutes the extension of the agreement had never been submitted to the Board and that the minute recording the presence of Mr. L. P. Jackson at the meeting at Kingston on the 9th January 1953 was inaccurate.

212. Mr. Dawe similarly asserted to us when giving evidence that Mr. Jackson had agreed that his agreement should be extended and had told him to see to the agreement being drawn up. In this connection it is to be noted that Mr. Dawe instructed local solicitors at Kingston to prepare the agreement. He further told us that after this had been done, he informed Mr. Jackson who said that this was quite all right. Subsequently Mr. Dawe admitted to us that Mr. L. P. Jackson was not present at the meeting of the 9th January 1953 but claimed that Mr. Stevens had telephoned Mr. Jackson who stated that he was too busy to come down but that he agreed whole-heartedly to the extension of the agreement. He disagreed with Mr. Phillips' statement that no meeting was held but as to the general procedure he agreed that sometimes Mr. L. P. Jackson would telephone through that he could not get to meetings and that in such circumstances it would be recorded that he was present and this was regarded as being in order if he had intimated his agreement on the telephone to whatever was going to be discussed.

213. Mr. L. P. Jackson when he gave evidence to us professed to be unable to remember either the meeting of the 31st July 1953 or whether he had made the statements attributed to him in the minutes. He further claimed to be unable to state whether he had in fact ever agreed to the extension of Mr. Dawe's agreement. The record of events and the action which he in fact took in July 1953 would, however, appear to support the view that he was not at that time aware of the extension of Mr. Dawe's agreement, whether or not he had on some previous occasion consented to it. Further, we found Mr. Dawe an exceedingly unsatisfactory witness upon this matter and we are satisfied from the evidence of Mr. Phillips that not only was Mr. Jackson not present at the meeting on the 9th January 1953, but that no such meeting did in fact take place.

214. Whatever may have been the precise course of events with regard to the extension of Mr. Dawe's service agreement with purported Board approval, it is to be noted that he did continue in office after Mr. L. P. Jackson's departure from the Board in 1958. This, notwithstanding Mr. Purves's enquiry and Mr. Dawe's admission to him of his completely irregular conduct with regard to the minutes of the purported meeting of the 9th January 1953.

215. The facts relating to this matter exemplify the completely irregular procedure which the Board of Hide & Co. Limited were adopting at this time with regard to their Board meetings and the recording of minutes in respect thereof. From other evidence given to us and documents we have seen it would appear, however, that there was later an improvement in this respect and that to some extent in the time of Mr. Pickering as Secretary and subsequently of Mr. Walsh, there has been a practice of circulating draft minutes to members of the Board before they were brought forward for approval.

Alleged Benefits to Directors

"Darley Mount"

216. The property "Darley Mount", Darley Road, Eastbourne, was acquired by Hide & Co. Limited jointly with John Anstiss & Co. Ltd., in February 1949, at a price which included the contents, of £5,000, together with the assumption of the liability for the balance, £6,691 3s. 7d. on a mortgage then due to the Skipton Building Society.

217. It has been said by some witnesses and it may be the case that the original joint venture by the two companies was entered into with a view to disposing of the property at a profit. However, the property was not in fact resold until December 1958 when it was sold, with the contents, by public auction to Restaurant Investments Ltd., for £8,169.

218. According to a minute of a Board meeting held on the 10th May 1951 the "Central Finance Board" resolved to retain "Darley Mount" as a staff rest centre. We have been unable to elicit any evidence that any member of the staff or servant of the company other than Mr. L. P. Jackson made any use of these premises as a rest centre or otherwise. According to the evidence that we have received Mr. L. P. Jackson from time to time made some use of the property as a seaside residence.

219. We obtained from Mr. G. H. D. Walsh, Secretary of Hide & Co. Limited a statement of the expenditure incurred by the company in respect of this property for the nine years ended 31st January 1958. Apart from mortgage interest and repayments aggregating £8,621, the following is a summary of the expenditure incurred by the company during the nine years in question:

| | £ | s. | d. |
|--|--------|----|----|
| Gas and Electricity | 923 | 15 | 0 |
| Rates | 1,053 | 10 | 3 |
| Insurance | 209 | 11 | 6 |
| Telephone | 272 | 13 | 5 |
| Caretaker's Wages (ceased 1952) | 253 | 15 | 3 |
| Miscellaneous Repairs, etc. | 109 | 2 | 0 |
| Mark Martin Repairs (1954) | 290 | 10 | 9 |
| Schedule A | 577 | 2 | 6 |
| Carpet | 149 | 12 | 6 |
| | 3,839 | 13 | 2 |
| Less: Insurance recovery | 166 | 10 | 0 |
| | £3,673 | 3 | 2 |

220. There is no evidence that this property was ever used by any director other than Mr. L. P. Jackson nor were we able to find any evidence that the company derived any benefit or use from this property.

Acquisition by Hide & Co. Limited of Mr. L. P. Jackson's shares in British Petroleum Ltd.

221. There were two transactions, one in July 1956 and one in August 1957 which were described in the Board minutes as an agreement by Hide & Co. Limited to purchase shares from Mr. L. P. Jackson, which give rise to some suspicion that contrary to their description in the minutes they were in fact intended to be loans by the company to Mr. L. P. Jackson upon the security of the shares.

222. The first transaction relates to the purchase by Hide & Co. Limited from Mr. Jackson of 1,170 shares in British Petroleum Ltd., at 160s. per share. These shares were eventually in 1957 transferred to the company and the price at which the company had agreed to purchase them was the current market price. Further, the company was advised by its legal advisers in June 1957 that the transaction could properly be regarded as a sale of the shares by Mr. Jackson and that it did not amount to a loan for the purposes of the Companies Act. In these circumstances it is unnecessary for us to go into further detail with regard to this transaction.

223. The second transaction took place in August 1957 and relates to 2,000 Triad Oil shares and 8,000 $5\frac{1}{2}$ per cent. Preference shares of £1 each in Gordon Hotels Ltd.

224. On the 27th August 1957 at a Board meeting of Hide & Co. Limited at which Messrs. L. P. Jackson, J. Dawe, C. S. Asbury and C. R. Stevens are shown as having been present, it was resolved—

“That the Board should purchase from Mr. L. P. Jackson 2,000 Triad Oil shares and 8,000 $5\frac{1}{2}$ per cent. Preference shares of £1 in The Gordon Hotels Ltd., for the sum of £10,000. Mr. L. P. Jackson agreed to sell to Hide & Co. Limited the above-mentioned securities for the sum named above.”

225. On the 10th December 1957 the auditors wrote to the Directors of Hide & Co. Limited in connection with their interim audit of the company's accounts for the year ended 31st January 1958 and stated, *inter alia* :

“As recorded in the minutes of 27th August 1957 the company purchased from Mr. Jackson on that date 2,000 ordinary shares in Triad Oils and 8,000 preference shares in Gordon Hotels Ltd., for the sum of £10,000, which was duly paid to him. No formal transfer was executed but Mr. Jackson addressed a letter to the National Provincial Bank, Berkeley Street, instructing them to hold the shares to the order of Hide & Co. Limited and asking them to confirm this arrangement to the Secretary. We understand that no such confirmation has yet been received, and we shall be glad, therefore, if you would kindly ask the Bank to let us have a letter confirming that as from 28th August last, they have in fact been holding the said shares as instructed, free from all charge. The investment of the company's monies in undertakings not carrying on a similar business to its own appears to be governed by Clause 3 (N) of the Memorandum, and we take it you are satisfied that these investments do in fact represent ‘monies not required for the purposes of the business’, despite the fact that the Group is short of liquid funds and has been working on a bank overdraft. We would point out that the purchase of shares in Gordon Hotels runs counter to the undertaking given by the Chairman at the last Annual Meeting, and may prove an embarrassment to the Board when the year's accounts are under consideration. It is not within our province to suggest how the situation should be dealt with, but if, as we understand, these investments are at present showing a surplus over the purchase price, it occurs to us that by selling them now and thus consolidating a profit, the Board would at any rate be in a better position to meet criticism than by holding them till they had possibly dropped in value.”

226. At the Annual General Meeting of the company held on the 26th July 1957, according to the transcript of the shorthand note taken of the proceedings, Mr. L. P. Jackson had been asked by a shareholder, Mr. S. E. Scammell, for a categorical statement that Hide money was not in the

future going to be used to purchase Gordon Hotels shares and in reply had stated that in the future there was no possibility or any intention of Hide & Co. Limited having any interest in Gordon Hotels.

227. The auditors' letter referred to above was considered by the Board at a meeting held on the 29th January 1958 and Mr. L. P. Jackson said that in view of the remarks of the auditors regarding possible criticism of the Board which might arise, he felt bound to offer to cancel the agreement. Mr. L. P. Jackson gave the company two bills of exchange for £5,000 each to repay the consideration which he had received for the shares and these bills were duly met in 1958.

228. We had conflicting evidence from some of the directors as to the true nature of this intended transaction. Mr. Dawe informed us that he thought that Mr. Jackson had asked for a loan of £10,000 from the company and that the shares were to be lodged as security. Mr. C. S. Asbury, on the other hand, although expressing the opinion that the transaction was not within the objects of the company, said that there was no question of the £10,000 being a loan to Mr. Jackson, but that the Board had agreed to purchase the shares to help Mr. Jackson since he was short of money.

229. The fact that the Board were purporting to agree to purchase shares in Gordon Hotels Limited shortly after a categorical assurance had been given to the shareholders that no such investment would be made by the company and further that no formal transfer of the shares had been made, nor had any certificate been given by the Bank confirming that they held the shares to the order of Hide & Co. Limited up to the 10th December 1957, when the auditors raised the matter, tends to suggest that a sale was not in fact really intended. Since the transaction was in fact rescinded and the money has been repaid, we do not think it necessary to express a final view in regard to this but it is to be observed that so far as we have been able to ascertain no dividends were received by the company on the Triad Oil shares or the Gordon Hotels Preference shares, nor was any interest paid by Mr. Jackson on the £10,000 involved.

Payments to Mrs. S. N. Jackson and Mrs. M. M. Jackson

230. At the Annual General Meeting of Hide & Co. Limited on the 25th September 1958 which was after he had ceased to be a member of the Board, Mr. L. P. Jackson asserted that Mrs. M. M. Jackson was in receipt of about £50 per month by way of expenses, although she was not on the payroll of the company or, as he alleged, visiting the company's premises for the purpose of rendering services. Mr. L. P. Jackson again raised this question when giving evidence before us and accordingly we have thought it right to investigate the position.

231. From the evidence that we have obtained it appears that on the 1st March 1954 an arrangement commenced not only with Mrs. M. M. Jackson but also with Mrs. S. N. Jackson whereby in consideration of the part-time services of these two ladies as fashion advisers, each was paid a sum of £600 per annum as expenses. According to Mr. M. M. Jackson his wife had previous experience of the fashion trade and her services took the form of her visiting various stores and shops and then informing him of her impressions as to the fashions and models which were being exhibited so that he could take steps to ensure that the goods in the shops of the Barnett-Hutton subsidiary were up-to-date and fully competitive with those on sale in rival shops. So far as we are aware, Mrs. S. N. Jackson was rendering services of a similar nature. We were informed by Mr. M. M. Jackson that the arrangement was originally suggested to him by Mr. S. N. Jackson and that in view of the fact that his wife would be concerned he sought and obtained the oral approval of Mr. L. P. Jackson.

232. Neither of the ladies in question was treated as being an employee of the company, no P.A.Y.E. returns being rendered in respect of them.

233. The payments continued insofar as Mrs. S. N. Jackson was concerned until the 30th June 1958, and in the case of Mrs. M. M. Jackson the payments were continued to the 31st March 1959 when the arrangement was terminated at her request.

234. Mr. M. M. Jackson told us that in his view the company obtained full value and benefit for the payments which were made to his wife, and that had a fashion expert been employed in the ordinary way a substantially increased expense would have had to have been incurred. This may, so far as we know, be correct but while we accept that there may be more than one view in regard to this, we feel that where payments of this type for services of this nature are being made to the wife of a director it is highly preferable that there should be a Board minute approving the arrangement.

Purchase of shares in H. Nathan & Co. (Nottingham) Ltd.

235. When giving evidence before us Mr. L. P. Jackson referred to the acquisition by Barnett-Hutton Ltd. of the shares of H. Nathan & Co. (Nottingham) Ltd. for a sum of £25,000. He said that from information that had reached him he believed that the assets of this company were not worth anything like this sum and he asserted that he had been induced to agree to the acquisition by misrepresentation by Mr. M. M. Jackson as to the nature and value of the assets.

236. We have questioned Mr. M. M. Jackson with regard to this and have also seen the accounts of H. Nathan & Co. (Nottingham) Ltd. on which the purchase was founded. These show that for the period 1st October 1953 to 24th August 1954 the company made a gross trading profit of £4,772, and Mr. M. M. Jackson readily agreed that the shares as such were not worth the sum paid for them by Barnett-Hutton Ltd. Nevertheless, he averred most strongly that the real purpose of the transaction was to obtain the very valuable services of Mr. H. Nathan who was a very experienced production manager and that the assets of the company were only a secondary consideration. The benefit of Mr. H. Nathan's exclusive services for a period of five years and thereafter subject to termination by six months' notice was obtained by Barnett-Hutton Ltd. under the terms of a service agreement dated 25th August 1954 to which that company and Hide & Co. Limited were parties. This agreement was in substitution for an earlier agreement dated 25th February 1954 and it provided that Mr. Nathan should receive a salary at the rate of £3,500 per annum and also a commission of 2½ per cent. on the aggregate of the net trading profit over and above fifty thousand pounds of M. Harris & Co. (Nottingham) Ltd., and H. Nathan & Co. (Nottingham) Ltd., to be ascertained as set out in the agreement. Mr. M. M. Jackson was most insistent that taking all the factors into consideration the purchase was a good one from the standpoint of the Hide group and that the price was fully justified. He said that prior to becoming associated with the Barnett-Hutton group he did not know Mr. Nathan. He further denied most strongly any suggestion that he had received any commission or other participation in the purchase price and we see no reason to disbelieve him.

Acquisition by Barnett-Hutton Ltd. of Shop Premises

237. Mr. L. P. Jackson told us that he was much concerned at purchases which had been made on behalf of Barnett-Hutton Ltd. by Mr. M. M. Jackson of a number of empty shop premises bought through the agency of Mr. Marcus Leaver. He suggested that the purchase of these shops was unnecessary, that they were in poor positions and that the business

carried on at them subsequently had resulted in losses to the company. He also stated that these had been purchased without his knowledge and, as he believed, without the knowledge of the Board.

238. Mr. M. M. Jackson whom we questioned about this agreed that three shops had been purchased, one at King's Lynn, one at Braintree, and one at Norwich, all of which had previously belonged to a fashion group called Joy Ltd. The shops were put up for auction by Mr. Marcus Leaver and were purchased by Mr. M. M. Jackson for Barnett-Hutton Ltd. at public auction after he had in the ordinary course of business received an auction brochure. He thought that the total cost of the three shops was £40,000 and he said that in every instance they had been bought with the knowledge and approval of the Board. He agreed that Mr. L. P. Jackson was not at the Board meetings in question but he stated that the latter had received from the Secretary of Barnett-Hutton Ltd. a list of all the capital commitments into which the company had entered.

239. Mr. M. M. Jackson agreed that the businesses carried on at these shops had not so far proved profitable and further that at King's Lynn the company had already owned a shop and still did so at the time when the further shop was purchased. He maintained, however, that it was ordinary and prudent business practice in suitable places to have more than one shop being carried on by the company, and he contended that these shops only having been purchased and the businesses commenced some two years ago, the fact that a profit was not yet being made did not necessarily mean that there were not reasonable prospects and good grounds for continuing to carry on the businesses.

240. Whether or not it is good policy to acquire additional premises in a town and for what period it is desirable to continue to carry on business in them without a profit being shown are matters upon which it is not within our province to express an opinion. It is to be noted, however, that prior to the matter having been raised with us by Mr. L. P. Jackson it had been taken up with the Board of Hide & Co. Limited by Mr. S. N. Jackson and the Board had called for and received a full report in writing on this and cognate matters from Mr. M. M. Jackson.

241. For the purposes of this report it is sufficient to say that we are satisfied that the purchases made by Mr. M. M. Jackson in these instances were made bona fide, that he believed them to be in the interests of the company, and we have seen no evidence to support any suggestion that he derived any personal profit out of the purchase of these shops.

General Summary and Conclusions

242. In our view, from the date of his appointment as Chairman on the 1st June 1939, Mr. L. P. Jackson was the dominant personality in Hide & Co. Limited and all the other companies in the group. Whilst he is to be given credit for having been the main instrument in the growth of the company from its small beginnings to its present size, we cannot escape the conclusion that in the majority of instances where controlling interests in other companies were being acquired he set out to make an intermediate profit and in most of these cases he went to considerable pains in attempts to ensure that his co-directors and/or the auditors of Hide & Co. Limited either should not be aware of the fact that he was making a profit, or if such fact did come to their notice, that they should not know the extent of such profit. This applies not only to the cases in regard to which he has been convicted, namely A. Barton & Co. Ltd., Grocott & Co.

(Shrewsbury) Ltd., and Stuart Norris Ltd.,* but also to the acquisitions of Clark & Lonnen Ltd., Tilley & Aldis Ltd., Hobden Brothers Ltd., Bradley's Drapery Stores Ltd., Barnett-Hutton Ltd., Webbers (Oxford) Ltd., and very probably Seccombes Ltd.

243. On the whole we do not think that the evidence is sufficient to enable us to say that any particular member of the Board had at the relevant time actual knowledge in any particular case of Mr. L. P. Jackson's irregular conduct. This statement may need qualification in regard to Mr. E. J. Cracknell in whose case we have seen documents suggesting that he is likely to have been aware of, if not indeed participating in, some of these transactions. Since he is dead and we have therefore not been able to examine him, we feel that it is fairer that we should not make any express finding in regard to him.

244. However, from our investigation not only of the matters to which we have specifically referred but many of the other matters placed before us and from the evidence of the many witnesses whom we have heard, the impression which we gained is that the other members of the Board neither exercised nor sought to exercise any check on Mr. L. P. Jackson or his activities in relation to the company.

245. Generally speaking and particularly in any questions of finance, we think that the Board was content to follow any suggestions made by Mr. L. P. Jackson and to accept his word without any enquiry even where the circumstances plainly called for such enquiry.

246. Mr. M. M. Jackson, who only joined the Board on the 30th April 1953 and who was mainly occupied with the trading side of the business should, we think, be largely excluded from these criticisms. We gained the impression from the evidence we have heard that within the scope of his own work Mr. M. M. Jackson did exercise independence of thought and expression, but we also formed the opinion that if and when his views did not coincide with those of Mr. L. P. Jackson, little if any weight was given to them by the other members of the Board.

247. One instance of the Board's general complacency to which we feel we should specifically refer is in relation to the acquisition of A. Barton & Co. Ltd. So far as Mr. L. P. Jackson is concerned we, as already explained, have not dealt with this transaction since it formed a part of the criminal proceedings culminating in his conviction; it is, however, a flagrant example, in our view, of the failure by the Board to make any or any adequate enquiry in circumstances in which it was plainly their duty so to do.

248. On the 21st September 1953 the auditors wrote to the directors of Hide & Co. Limited referring to this matter and saying that points had arisen which would have to be cleared up before the audit (to 31st January 1953) could be completed. They referred to the conflict of evidence there was between Mr. L. P. Jackson and Mr. Purves and they also stated that apart from this conflict there was a very disturbing feature in the transaction of the existence of a resale of a large holding of stock and shares in Hide & Co. Limited including the whole of the 200,000 "A" shares at a price far below their market value to parties undisclosed and apparently without the knowledge of the Board or any available record. They asked

* Since the preparation of this report Mr. L. P. Jackson's conviction on the charge relating to the acquisition of shares in Stuart Norris Ltd., has been quashed by the Court of Criminal Appeal.

for a full meeting of the Board to be convened and stated that they considered it vital that every member of the Board as well as themselves should be present.

249. It is unnecessary to follow in detail the events subsequent to this letter culminating as they did in the auditors having to make a qualification in their Report on the accounts because they had not been furnished with all the information which they required. Plainly, in our view, the initial letter from the auditors and the subsequent course of events should have made it clear to every member of the Board that it was essential that Mr. L. P. Jackson should disclose the identity of the alleged third parties and should give particulars of the obligations amounting to not less than £40,000, which it was alleged that they had assumed in connection with the transaction; notwithstanding this, so far as we have been able to ascertain, no member of the Board made any effective enquiry of Mr. L. P. Jackson, still less did he insist that Mr. L. P. Jackson should disclose the information which the auditors were requiring in our view with obvious propriety.

250. The auditors, Messrs. Ogden, Hibberd Bull & Langton, rendered us every assistance during the course of our investigation and their notes and documentation not only saved us a great deal of time but also helped us materially in unravelling the many complicated transactions with which we have been faced. We consider that Messrs. Ogden, Hibberd Bull & Langton, and Mr. W. E. Ogden in particular, throughout carried out their duties as auditors to Hide & Co. Limited in an exemplary manner.

251. The irregular conduct of Mr. L. P. Jackson in relation to his duties as a director and the laxity of control of him exercised by the other directors continually placed Mr. W. E. Ogden in a difficult and invidious position, necessitating his repeatedly having to draw attention to transactions which required investigation and for which no satisfactory explanations were forthcoming. This applied not only to those matters which eventually formed the subject of balance sheet notes and qualifications in the auditors' Reports but in addition there were many matters where, as a result of Mr. Ogden's persistence as auditor, irregularities and mistakes were brought to light and rectified as, for example, in respect of the credit to Mr. L. P. Jackson in regard to the Della Porta transaction and again in regard to the deposit supposed to have been paid by him in connection with the Webber transaction.

252. In those instances where qualifications were made in the auditors' Reports on the balance sheets, we are satisfied that in the existing state of the law this was the only course open to the auditors. Consideration of any extension of an auditor's rights and duties is obviously outside the scope of this report.

(Signed) NORMAN J. SKELHORN.
W. S. CARRINGTON.

London,

4th November, 1959.

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